

SEX OFFENDERS: IS THERE A CURE?

CANADA'S WEEKLY NEWSMAGAZINE

FEBRUARY 13, 1995 \$3.50

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CANADA'S WEEKLY NEWSMAGAZINE
FEBRUARY 13 1993 VOL. 106 NO. 7

CONTENTS

- 3 EDITORIAL
- 4 LETTERS
- 10 OPINING NOTES/PASSAGES
- 13 COLUMN: DAVID FRANCIS
- 14 COVER
- 24 CANADA
Ottawa agrees to deport four war criminals, Banquo Hysteylaga prepares to test over Baku Wall to James LeBlanc
- 25 BACKSTAGE OTTAWA: ANTHONY WILSON-SMITH
- 30 WORLD
Partisan politics grips Washington, President Bill Clinton backs out Mexico, massive flooding plagues Europe
- 38 BUSINESS
A new report recommends tougher regulation of the Canadian medical fund industry; Canadian environmental companies take centre stage
- 42 THE NATION'S BUSINESS: PETER C. HEWMAN
- 46 PEOPLE
- 48 EDUCATION
- 51 SPORTS
Baseball players and owners struggle to reach a settlement
- 56 JUSTICE
Prosecutors shred O. J. Simpson's alibi; a P.B.I. judge opens the door to abortion
- 60 THEATRE
David Fraser has a hit play—and a future in the theatre
- 65 MUSIC
Seven Aphelios songs about pain and joy scoring the final, Ben Hopper and the Vancouver Opera are riding high
- 69 DANCE
Marge Gillis's current tour is infused with grief over the death of her brother
- 85 OBITUARY
The career of filmmaker Philip Barant is cut short at 41, George Woodcock left a legacy of writing and good works
- 86 TOTHERINGHAM



14 A nationwide campaign against tax increases builds strength as Finance Minister Paul Martin prepares to introduce his new deficit-fighting budget in late February. And on the Prairie, Roy Romanow's Saskatchewan and Ralph Klein's Alberta present drastically different models of how to balance the books—by raising taxes or slashing spending.

To tax or not to tax



Is there a cure?

56 There are many types of treatment for sex offenders but no consensus on how well—or even whether—they work. That reality underlies the heated public and political debate over the sentencing and early release of sex offenders—and raises an alarm each time a rapist or child molester walks back into a community.



Failing grades for an open-door policy

48 In 1993, Carleton University accepted seven out of every 10 Ontario high-school graduates with an average of less than 65 per cent. Last week, pray-earn in its largest faculty voted overwhelmingly for an end to open admissions.



'Canada's pride'

I am truly saddened by your story on the Canadian Airborne Battalion ("Canada's shame," Cover, Jan. 30). Like all men of letters, you have bracketed this unit of elite soldiers, committed to their jobs and dedicated to our country, as a disgrace to Canada. In my opinion, they should be regarded as Canada's pride.

Linda Powell
Scarborough, Ont. 28

I consider myself privileged to have competed for Canada at the Olympic Games, and also to have received my army parachute and reconnaissance training from members of the Canadian Airborne Battalion. There we strike our similarities in the Olympic and Airborne events: hard work, perseverance, determination, teamwork and a pursuit of excellence. There is no question that a breakdown in discipline within the Airborne occurred and it must be addressed, but it is unfortunate that a distorted view of what the regiment stands for is not the Canadian public's concern; that its delinquency is a significant loss.

Retired lieutenant Peter S. MacGowan,
Toronto

Blatant arrest: 30 years in the Canadian Forces, I feel the dearest to disband the Airborne Regiment was a grave mistake. A more appropriate and seriously much more honorable action would have been to hold accountable those who perpetrated such deplorable acts.

Retired major J. J. Kaszuba,
Regent, Ont.

I am shocked and appalled at the cover pictures and photos that accompanied the story regarding the Airborne busing ritual. It is always journalists to keep replacing these photos. The point has been made, the Airborne has been discredited, but not before the image of Canada has been seriously tainted worldwide.

Stella Pole,
Ottawa

Eye-opener

Your obituary for Peter Coviak states he founded the satirical magazine *Private Eye* in 1960 (Pages 39, Jan. 20). This is not true. Coviak and his colleague Nick Lissed bought the magazine in 1962 from Andrew



Airborne healing: Canada's image has been tainted

Osmond, and Cook later bought Lissed out. The idea that Cook founded the *Eye* is a curious misconception, arising from his lengthy service to the magazine for more than 28 years. Cook himself—described to *Private Eye* as "the perfect promoter"—expressed regret that he had not been one of the founders.

Gauge Roberts,
Oxford, England 26

Paying the price

With reference to your piece on Asiar-style business ("Glowing for broker," Special Report, Jan. 30), I would offer a note of caution to any Canadian advocating that model for this country. What is not dealt with at any great length in your coverage are the results of unbridled capitalism and little or no environmental standards. Most Canadians have not seen such cities as Bangkok, Hong Kong, Shanghai or Guangzhou. They are so badly crowded and polluted that the result is a dirty, timeless, graceless environment where you cannot breathe the air or drink the water. I particularly bristled at the quote that "Canada is really a lifestyle. The tax system . . . [does] not permit getting rich, at least by Asian standards." I hope we do not, the price would be too high to pay.

Francis M. Glynn,
Calgary

In the beginning

Ross (Mac) MacLaughlin's reported article on the beginnings of the automobile industry in Canada ("How the auto lost the home," *History* Jan. 30) contained an important omission. He mentioned that "by 1905, in the United States, the Ford Motor Co. was two years old," but made no reference to the

fact that Ford of Canada had been established on Aug. 17, 1904, by a Canadian from Walkerville (now Woodstock) named Gordon McGregor, who was also the owner of a wagon company. McGregor struggled to produce 117 cars in his first year, and although most of the components were originally shipped in from Detroit, by 1913 all Ford of Canada vehicles were 100 per cent Canadian built. Ford of Canada has always been very much a part of the Canadian scene. And Gordon McGregor was one of the Canadian auto industry's earliest pioneers.

Stanley McNamee,
Mutualist consultant,
Ford Motor Co. of Canada Ltd.,
Galtville, Ont.

I would like to add a footnote to the account of the sinking of *Montevideo* in March 1912 ("Shipwreck in bars?," *News*). Aware of the vivid spelling of "Mac" newspapers, and wanting to ensure that his new magazine would be cited correctly, leader John Bayne Maclean consulted Nova Scotia's Rev. Alexander Maclean Satchell, a Gaelic scholar of international repute. The spelling adopted for the magazine reflects Satchell's advice.

Gordon F. Maclean,
Halifax

Excellent article

The work of Ontario Friends of Schizophrenics has been strengthened by the excellent article that appeared in your Jan. 20 issue ("Schizophrenia: hidden torment," Life and Science) by providing a forum through which those struggling with schizophrenia can receive the support they deserve.

Margaret O'Shea,
Executive director,
Ontario Friends of Schizophrenics,
Guelph, Ont.

CORRECTION

In the Jan. 23 issue, New Glasgow, N.S., was incorrectly placed atop the list of Canadian cities with the highest unemployment rates ("Five worst places to look for a job"). In fact, the city's unemployment rate, based on Statistics Canada's three-month moving average reading in December, 1994, is 17.7 per cent, not 33.3 per cent as was reported.

George Calabrese, owner of Shelburne Ont. fishing lodge, introducing happy anglers

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LETTERS

Fair measures

In your editorial "Is Canada a basket case?" (Dec. 20), you not only provided some perspective on the benefits Canadians still enjoy, you correctly identified the basic reasons for mistrust and skepticism about budget-cutting measures. When business leaders endorse such measures as a means to corporate income tax, and when the government scales back MVA's prices and gasoline, then I will be willing to discuss cuts to social services, and higher income tax rates.

Paul Seiditz,
Toronto, ON

At the trough

The ineffectuality of many career politicians and civil servants to collect and collect from the taxpayer is appalling ("Part-time job, full-time pay," Canada, Jan. 20). Yet the approval rating of the federal government is about 60 per cent. Where are the people who wanted parliamentary reform and an end to patronage appointments and double-dipping?

Made Tanna,
Toronto

World government

Congratulations on Thomas Homer-Dixon's essay "War and peace," Outlook (Dec. 20, Jan. 6) and his logical conclusion that capable international government is essential. On its 50th anniversary this year, the United Nations should be transformed into a world parliament and given some of the resources and authority to enable effective global governance.

Shirley Smith,
Montreal

Sign of the times

As I understand the settlement of the NHL lockout, "Hockey night is back." So, Jan. 20, a few really rich owners and a few really rich players will get richer, and all this will be paid for by the small-market owners, the average player and the ordinary hockey fan. Truly an agreement for the Nineties.

Martin Wacht,
Vindon, N.Y.

This winter, experience a warming trend.

Here are some ideas you'll warm up to.

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There's the ever popular

Irish Coffee.

Simply combine coffee, 1 oz. Irish whiskey and top with whipped cream.

Or try Blueberry Tea for a different cup of tea. It's a

wonderful mix of tea, 1/2 oz. Amaretto and a 1/2 oz. Grand Marnier. If you're a

chocolate lover, have a

Chocolate Decadence, made of 1 oz. dark rum, hot chocolate and whipped cream topping.

And let's not forget the simple enjoyment of

Cognac. Pour a little into a snifter, then cup it in your

hand to warm the Cognac up.

Then there's the delicious Hot Toddy. Mix 1 oz. Scotch,

with honey, nutmeg, lemon juice and hot water. Or invent your own winter warmer.

It's easy. Just add your favourite spirit or liqueur to your coffee. Like

Espresso with one ounce Sambuca. Whatever your

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OPENING NOTES



Down (left), Canadian Ambassador Raymond Chrétien and wife Kipp: 'No comment'

BUSINESS AND PLEASURE

In the U.S. elections last November, Vermont Democrat Howard Dean was among the fortunate few in his party to survive a Republican surge that captured control of Congress and sent state governments. Since, a 46-year-old physician-turned-politician, won re-election as governor with 70 per cent of the vote. But by his own account, he has been less successful on the international stage. During a break at a recent Canadian Embassy reception for U.S. governors, Dean recalled his brush with the politics of Quebec. "Ver mont's a real close neighbor. When New England state governors met with the premiers of Quebec and the Atlantic provinces last year,

reporters asked for his views on an independent Quebec." "I said, 'It's none of our business and it's something for the Canadian people to decide.'" "The next day, however, Dean said that a Montreal newspaper reported his statement as a declaration that Vermont "would do business with separatists." Said Dean: "The next time I'm north of the border, which I am often, both the province and for business or any other contact will be, 'No comment.'" Dean added that he expects to head north again soon, that it will be well beyond the usual range of the Canadian media. "I'm hoping to go to northern Labrador this winter for a vacation." Once into

90 OPERATION VERITABLE



Chronic: Bombing Redford

FIFTY YEARS AGO: The Redford Campaign, the first direct assault on Germany of the Second World War, began near the Dutch-German border just east of Nijmegen on Feb. 8, 1945. The plan, code-named Operation Veritable, is so clear the Reichswald forest border, break the Siegfried Line and clear the Redford. Allied troops are under the command of Hamilton's Gen. H. D. G. Crerar of the First Canadian Army, which at its peak comprised 13 divisions, including many from the United States. With a fighting strength of 330,000, it is the largest force ever commanded by a Canadian. Preparations for battle require 500,000 air photographs and 800,000 special maps. On the first day, 160,000 artillery shells are fired in just three hours. The battle ends on March 16, 1945, when Operation Veritable links up with U.S. forces, Operation Grenade. The Allied march now extends along the whole west bank of the Rhine, from Nijmegen to Düsseldorf. The way is now clear for the final phases of the liberation of Holland.

A STARR IS BORN

Since leaving office as the premier of Canada's wealthiest province in 1989, David Peterson has done well for himself. He now sits on 16 corporate boards, including Rogers Communications Inc., and last year he was named chairman of the Smith-Barlow chain and the Toronto Raptors NBA franchise. Peterson also has a guaranteed annual pension of \$65,000 for his years in government service. But the lawyer from London, Ont., is the beneficiary of another form of public largesse, as well. The Inquest of Ontario has so far been billed \$603,582.35 to defend Peterson, and two former officials in his government, as a lawsuit initiated by Patti Starr,



Starr: a story of murder, sex, power and politics

since Peterson and company incurred the action in the line of duty. Starr, meanwhile, is trying to say for her estimated \$300,000 in legal fees by suing. In November, Starburst Publishing Co. commissioned her to write her first novel. "It's the story of a vendetta with murder, sex, power and politics," she told *Maclean's*. The title: *Duality Justice*.

A GLOOMY DANISH PRINCE

Sweden and Denmark are usually the best Nordic neighbors—but now a war of words is breaking up between them. The Anti-Smoking Generation, a Swedish advocacy group, has placed ads in newspapers and on billboards throughout Scandinavia aimed at reducing smoking among smokers. The ads feature photos of a young, attractive, blond-haired girl, an X-ray of a smoker-damaged lung and such slogans as "Smoked by a Prince," "Assaulted by a Prince," "Assaulted by a Prince." "There is just one problem," Prince is quoted in the same typewritten font as used in the packaging of Prince cigarettes, Denmark's bestselling brand.

Despite ongoing criticism, however, the ads have been successful in getting people to think about smoking. "Those Swedish anti-smoking signs: damn antismoking!"

denmark, antismoking Sweden," reads a recent editorial in *Ekstra Bladet*, Denmark's leading daily. "Our politicians did their best to get Sweden into the European Union and now this. Those signs are killed as traffic accidents each year. How would it be if we ran advertisements like *Assaulted by a Volvo* or *Raped by a Saab*?"



RESTLESS IN THE RANKS

While thrashing out the final details for this month's federal budget, Finance Minister Paul Martin has gone to more unusual lengths to get public input. On Jan. 19, after enjoying a drink at a bar in Ottawa's Chelsea Tavern, Martin, who knows nothing better than mixing booze with a little sex, sat down on a hot seat under way in a nearby hotel conference room. So he walked up to a microphone and put a question to the presiding panel of experts. "My name's Paul Martin and I just want to know what you think the government's going to do to *shrink*?" he asked to howls of laughter, before posing a few more

serious questions and shifting gears. A few days later, the phone in his Parliament Hill office began ringing off the hook. As executive assistant Terrie O'Leary once discovered, *The Ottawa Star*, which sponsored the 1997 seminar, had printed the finance minister's number. Not one to dodge the public, Martin began taking the calls himself—but many angry callers did not believe it was actually him, Brenda O'Leary. "He would say, 'This is Paul Martin.' And they'd say, 'No, anyway the fact is, I just want Paul Martin to know stars are too high.'"

Edited by BARBARA WICKENS

PASSAGES

DIED: Animal conservationist and writer Gerald Durrell, 70, who once said: "I took upon myself as a kind of busy Florence Nightingale," accomplished his life's ambition—planting a tree last year, as the Chained Head of Jersey, which he lived and operated the Jersey Zoo. Durrell, younger brother of poet and now late Laurence Durrell, developed a lifelong passion for nature as he grew up on the Greek island of Corfu. His years there included 30 books, including *My Family and Other Animals*, a Zoo in My Lap and *The Greenest of Corfu*. His years there included 30 books, including *My Family and Other Animals*, a Zoo in My Lap and *The Greenest of Corfu*. His years there included 30 books, including *My Family and Other Animals*, a Zoo in My Lap and *The Greenest of Corfu*.



DIED: Former British tennis great Fred Perry, 85, who dominated the game in the 1930s of recent history. At Melbourne, where he had been attending the Australian Open. The first player to win all four major Grand Slam singles titles. Perry remained active in the sport as a commentator until his death.

APRIL: The right of David Milgaard, 42, to file a civil suit against Saskatchewan authorities for an alleged wrongful murder prosecution, by the Supreme Court of Canada, in Ottawa. Lower courts had earlier ruled Milgaard had the right to sue despite an unusual claim advanced by Saskatchewan officials—and the Supreme Court refused to hear their appeal. In 1982, the Supreme Court ordered a new trial for Milgaard, who had served 23 years for a murder he says he never committed.

DIED: Award-winning writer, director, actor and producer George Abbott, 101, known as Mr. Broadway for a stage career that spanned 80 years, of a stroke at his Miami Beach, Fla., home. At 106, Abbott worked on a revival of *Omni Fashions*, which was right Tony Awards when he directed the original in 1955.

DIED: British character actor Donald Pleasence, 73, best-known for playing villain in the movies and *Poltergeist* on stage, from complications following a heart operation, as his home in the south of France.

DIED: Second World War hero Howard (Black) Waudin, 76, whose daring escape from Calicut castle became the basis of several books and the 1954 movie *The Golden Story* in Ottawa.

BEST-SELLERS

FICTION

1. *The Celestine Prophecy*, James Redfield (12)
2. *Johnny and the Dead*, Stephen King (10)
3. *Open Secret*, Alex More (10)
4. *Dead World*, Stephen King (10)
5. *A Dictionary of Unpopular Words*, Judy Piat (10)
6. *Public*, Ken Kesey (10)
7. *The Curious Man*, Jonathan Lethbridge (10)
8. *Spooky World*, James Galt (10)
9. *King of the Gypsies*, James Galt (10)
10. *Eyes of a Child*, James Galt (10)

11. *Patience and Love*

NONFICTION

1. *The Book of David*, Steve Gorman (10)
2. *The Women's Book of David*, Steve Gorman (10)
3. *Working in the Boardroom*, Margaret St. John (10)
4. *Working in the Boardroom*, Margaret St. John (10)
5. *Working in the Boardroom*, Margaret St. John (10)
6. *Working in the Boardroom*, Margaret St. John (10)
7. *Working in the Boardroom*, Margaret St. John (10)
8. *Working in the Boardroom*, Margaret St. John (10)
9. *Working in the Boardroom*, Margaret St. John (10)
10. *Working in the Boardroom*, Margaret St. John (10)

Compiled by Tracy Sedgwick

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COLUMN



The need for laws to limit spending

BY DIANE FRANCIS

Canadians have had it with government's inability to live within its means and are eager to find new mechanisms to bring this country under control. Taxes soar, spending soars and debt soars. With a few exceptions, such as Alberta electing Ralph Klein, voters have been able to do little to change this deadly overexpenditure. The result is they seek something new to get our country out of its tax and debt mess. And there is a solution that has worked elsewhere. It's called term limits and spending limits legislation. These legislative provisions have worked, and we can get our country from overspending by politicians and will gain popularity among Canadians as they go on.

Public opinion on the matter is stunning: a poll of more than 2,500 Canadians in December showed they want to remove the power to tax and spend from politicians and put it into the hands of voters through referendums and taxpayer protection laws. "The most telling part of the poll," says pollster Crystal White, chairman of COMVUS Inc., which conducted the survey, "is the total absence of class differences among supporters for limits." Eighty-nine per cent of the 2,500 adult respondents, regardless of income or education, believed that controlling taxes, spending and the debt were either "extremely important" or "very important."

Interestingly, Canadians with household incomes of \$30,000 per year or less felt just as strongly about the security for debt, tax and spending controls as did Canadians with household incomes of more than \$70,000. In addition to asking about the need for controls, the poll asked respondents a series of questions as to the types of controls that would be most favored. An impressive 66 per cent declared that direct voter control over taxes was "extremely important" or "very important." And a clear majority, 56 per cent, wanted referendum-style controls. "These are classic principles in polling," remarked

Winn. "It's not just that so many feel the same way. It's that so many feel that way strongly."

The desire to exert control from politicians is not a new change in Canadian attitudes, but it is timely in sync with global trends. I believe it also marks the beginning of the end of Canada's top-down, elite parliamentary system. The poll proves that Canadians want the type of direct democracy, or voter-referendum controls that exist in both Ireland and in 25 U.S. states. A majority of Canadians believe their politicians have forfeited the right to control the purse strings and, instead, by default, support political leaders who promise to surrender control to the people, when it belongs.

Another reason to end change will come about is the fact that Canadians, like 90 per cent in other countries, have more options than ever before to leave if they don't agree with the way their country is being governed. Thanks to free trade with the United States, Canadians can "vote" with their wallets and their feet through improved migration opportunities. Besides, industries or companies that dislike Canada's fiscal mismanagement and high taxes can now move to lower-tax jurisdictions.

The shift in political power is inevitable because it is already under way economically. Global free trade means that protected and protectionist corporations are no longer in charge. Consumers, who can choose from a variety of producers from a variety of places, are now king. Power has shifted from producers to consumers. The result is that enlightened corporations now realize that the consumer is always right. This means they must respond immediately and intelligently to consumer trends, demands or requests. Corporations that ignore this do so at their peril.

But governments, with the exception of the Swiss and some American states, have yet to respond to their consumer citizens. Governments must realize that taxpayers and voters are "consumers" of government services. They must understand that Canada's taxpayers have realized for some time that they are simply no longer getting their money's worth. Canada's governments are like a collection of overvalued, old-fashioned department stores with overpriced goods on their shelves.

What I mean by this is that government "prices," in the form of taxes, are too high. The Fraser Institute estimated that in 1994 the average family earned \$57,686 and paid \$27,321 in various forms of direct and hidden taxes. For each working family, are not get any \$30,365 worth of services. For instance, Ottawa now spends only \$2 out of every \$3 it takes in collecting (providing services to) Canadians. The other \$1 goes towards interest payments on debt. Of the \$2 spent on programs, goodness knows how much is wasted on inefficiency and duplication.

Of course, politicians and others will balk at any controls over their power to tax and spend or borrow. They will claim that controls will mean that Canadians will eventually lose their health benefits and other social safety net entitlements. But that is sheer nonsense. Tax and expenditure limits have nothing to do with how money is spent. They have to do with how much money is spent. Switzerland, where taxes can only be increased with referendum approval, enjoys one of the world's highest living standards and most generous social safety nets.

The reality is that the current system of increasing taxes, increasing spending and increasing debt is draining Canada's social safety net. After three decades of overvaluing government (interest payments now total around \$64 billion a year, just shy of the \$75 billion spent in 1994 providing health care for all 29 million Canadians). At the current rate of deficit overspending, debts will balloon by the end of the century and interest payments could be greater than both health and education expenditures. Fiscal controls, not election laws, will protect our social safety net. A majority of Canadians no longer trust the system—and for good reason. Just the Liberals and others may ignore the growing demand for direct democracy, they—like businesses—do so at their peril. And, they, I will say good riddance, too.

MARTIN'S OPTIONS

Ottawa's deficit reduction plan faces serious challenges

BY ANTHONY WILSON-SMITH

For most of his days since early January, John Patrick, a 60-year-old retired metalworker, has been chained to the basement of his home in Kelowna, B.C. It is an unlikely command post for an unassuming warrior now at the forefront of a nationwide tax rebellion of sorts. But he has been that way since Patrick spent several hours early in the new year by training with friends the amateur levels of government spending and taxes. That night, Patrick was seized by the conviction that he was at a war, and spent the next four hours drafting letters of complaint to Prime Minister Jean Chretien and Finance Minister Paul Martin—and forwarding the plans for Tax Revolt. But he also prepared a five-page list, which included items like boycotting the federal government's put to raise taxes in its upcoming budget. Patrick told friends and the media of his efforts—and soon discovered a level of national outrage exceeding his wildest expectations. After the first week, says Patrick, "I confirmed 35,000 letters having arrived in Ottawa." At last count, he estimated that more than 200,000 letters had been sent.

Suddenly, on the eve of a Quebec referendum, the resumption of Parliament and an upcoming budget, the federal Liberals are discussing a new, potent—said in this case, unworkable—recipe for national unity tax increases. "The rule for the Liberals, all come in that they believe that they can't do it," says Patrick. With Martin's own plan to be had, news budget will not likely be taken into February, even the prospect of a tax hike (it appears enough to send Canadians of all ages, genders, ethnic backgrounds, language groups and political persuasions into a collective hush).

The signs are almost everywhere, ranging from the sticky letters filling industrial parks to the hundreds of protesters who showed up outside a Liberal caucus meeting in Toronto last week, to the deluge of calls to refuse open-house, to the signs in MP's offices, to the explosion of telephone calls, faxes and letters to the Great Saint Hubert, the federal finance department. "There is unquestionably a feeling among ordinary Canadians that they are taxed to death by a government that needs to take significant steps to put its own house in order," concludes an observer in Alberta. "We are very aware we have to take account of those emotions."

How Martin attempts to do so will inevitably have powerful regional connotations as news emerges from the value of the Canadian dollar on international markets to the future of the Liberal's enduring housewifery with voters. The goal is clear enough: he wants to take nearly \$10 billion out of federal spending next year, and to reduce the national deficit from



Protest rally in Kelowna, B.C.: "A feeling among Canadians that they are taxed to death by a government that needs to put its house in order"

its total of \$26.7 billion this year to \$12 billion next year. What is truly at issue is that most Canadians will directly feel the impact of the budget. One obvious option is the one that all tops Patrick and other Canada deep the issue: a hike in personal income taxes. A one-per-cent rise, for example, would give the government an additional \$6.2 billion—but run the risk of a full-fledged tax revolt. A series of half a cent per cent, on the other hand, is more likely because it would still give the government an additional \$3 billion—but raise the average family's taxes by only \$250 annually.

At one end of the scale, the wealthy—in the form of well-paid executives or shareholders in large corporations—will almost certainly bear higher taxes. Businesses that depend on regional economic development and progress will also feel the pinch because those programs will be sharply cut, although not eliminated. At the other end, wage earners played, or about to be, will likely receive a similar unemployment insurance charge, a more stringent disability requirement and a shorter period in which to collect benefits. Somewhere in the middle are all those Canadians who either drive cars or buy or use products that are transported by gas-powered vehicles, a gas tax of anywhere from one to two and a half cents a litre appears almost certain, and will hit the suburban mile accordingly.

What is also clear is that it will soon be even more desirable than ever for Canadians to live in a rich, actually self-sufficient province, rather than a disadvantaged one. That is because Ottawa is about to give the provinces more power over the operation of social programs in return for giving them less money. Already, some of the provinces have their lawmakers in a better order than the federal government. Saskatchewan

and Alberta, for example, both expect to balance their budgets by the 1999/2000 fiscal year, although they will achieve that aim in drastically different ways (page 16). Similarly, New Brunswick has reduced its deficit from a high of \$3.5 billion in 1991-1992 to an expected \$275 million this year—and has legislation in place that requires a balanced budget within three years.

Balancing the budget remains a far more difficult challenge for Ontario for several reasons. One is direct: Ottawa will spend close to \$170 billion this year (including interest payments on the \$460 billion that a 59-per-cent cut in federal transfers would be grossed that the budget of most Canadian provinces. Another is the sheer size of the present debt cut of that \$170 billion, \$47 billion is in interest charges—so that the 59-per-cent cut would have to come out of the remaining figure of \$123 billion. That would mean that in real terms of the services it provides, the government would be cutting its expenditures by closer to 30 per cent.

The dilemma for Canadians dependent on government services is that all levels of government are trying to reduce their spending at the same time. Last week, Human Resources

Minister Lloyd Axworthy started easing people when he conceded that he is indefinitely shelving most of his plans for a complete overhaul of the country's social programs. The reason, says Axworthy, is that the government's financial situation is too precarious to undertake widespread reforms. That observation battled across other Liberals, who had always felt that one of the purposes of social program reforms would be to save, rather than spend, money; that was immediate element: his department will focus on a "renewal"—meaning reduction—of the size of the unemployment insurance program, which is expected to pay out \$15.9 billion in benefits this year.

To take any of these steps successfully, the government will have to draw significantly on the large stock of goodwill that public opinion polls indicate it has been amassing in the past 15 months. With their approval rating among voters ranging in recent months between 80 and 70 per cent, the Liberals have some room to manoeuvre. At least part of the Liberal popularity is based on the fact that neither of the two large opposition parties, Reform and the Bloc Quebecois, has appeared as a credible alternative to form a government. Now Reform, with its emphasis on the need to reduce the size of government, lies in a best opportunity since the 1993 election campaign to impress voters. "This cooperation with voters in a give-and-take way," says Calgary MP Jan Styllens, one of the party's loudest critics. As well, the party's performance in criticizing the budget is likely to be considerably better than it was last year, when it offered only a backstop response and then weeks after Martin tabled the budget. This year Reform will table an even more potent protest: Martin's budget.

It will never be clear how much effect any of the pre-budget protests have on the final product. But some senior Liberal officials concede that their "wild" support for tax cuts can mean more substantial and ultimately destroyed by the ferocity of grassroots protests. "We came dangerously close to underestimating public frustration on this," said one. But that is counterbalanced by the news when Martin made his own significant modification to last year's budget: an interest-free rate on interest rates. Each percentage point rise in interest rates adds another \$1.7 billion to federal spending. Already, those higher rates threaten to add as much as \$5.5 billion to the 2005-2006 deficit. Despite that, Martin and other senior government figures are adamant that they will hit their deficit targets. "We have always said we will do it," said one senior. "But it's true that we never knew how hard it would be." With their budget, the Liberals will likely ensure that all of the country shares the pain.

Martin: most Canadians will directly feel the impact of what is almost certain to be a bad-news budget



With J. ARCY JOHNSON in Toronto

TO TAX OR CUT

BY MARY NEMETH

On a crisp and sunny morning in January, the regulars are flocking to Loree's cafe in Lloydminster, a city of 17,890 straddling the Alberta-Saskatchewan border. They are gathering for that Prairie ritual, the so-called coffee row, to debate hockey and politics and the fate of the world. Steve Babey, a 68-year-old retired business owner, is chatting with old friends and colleagues. And when the talk turns to the current national preoccupation with deficits and deficits, he has plenty to say. Although he hails from the Alberta side of town, Babey prefers what he sees across the way. "Saskatchewan's got a plan," he says. "It was just cheap, cheap, cheap in Alberta." An other coffee row regular disagrees. "I support Alberta's approach—cutting as quickly as possible," says Ken Burley, a 44-year-old accountant who finds fault instead with recent cuts to libraries in Saskatchewan. "Canadians are moving in circles," he says. "Besides, we have too many programs we could never afford."

Because the border runs right through Pelly, a town in the centre of Yukon territory, its people rely on direct contact with the federal government to compare how dramatically different approaches to state have become the daily grind for governments across Canada, eliminating their defects. Other provinces are closing in on that goal. New Brunswick, British Columbia and Manitoba among them. But the most dramatic change is in the debt-free future so dear to them as they are in Yukon territory. To the mind of the city's chief economist, Saskatchewan, operating fairly and profitably, making spending cuts with tax increases, pleading to balance its books with parsimony. To the west is Alberta, Alberta, behaving almost with a dramatic 20-per-cent cut in government spending, leading to raise taxes, decrease the size of government, and to the extent of the province, and challenging the rest of Canada to follow suit.

In those two approaches lie important lessons, not only for other deficit-laden provinces, but also for the federal government as Finance Minister Paul Martin prepares to bring down a crucial budget in late February. "Alberta is anti-government more or less," observes John McCallum, chief economist for the Royal Bank of Canada. "Saskatchewan, well, as former NDP premier Allan Rock once said,

say, they just want to balance the budget so they wouldn't be dependent on the banks. But what this emphasizes is that governments with very different ideologies can both have the same priority—deficit reduction.”

The same priority, and other similarities in it, both as resource-allocation priorities that have been lacking in the past year riding an oil and gas boom in Alberta and a surging farm sector in Saskatchewan. Both Alberta, led by Conservative Brian Rast and Saskatchewan, led by New Democratic Ray Chan, have played a similar role in the federal government's economic and social agenda. They are well ahead in fact that Saskatchewan introduced its 1992-2000 budget on Feb. 10 and Alberta brings down its plan on Feb. 21, both governments are expected to announce that they have met their targets, balanced their books or are very close to it. And where they see the need, that will include operating costs, interest payments, capital spending, and other programs. The governments are also aware of the popular wisdom that cutting spending and raising taxes are little political manna. The governing parties are aware at the opposition

Saskatchewan raised taxes, Alberta cut programs. Both are about to balance budgets.

both provinces according to polling by the Angus Reid group—Alberta's Tories with a commanding 63-per-cent support, Saskatchewan's New Democrats with a solid 65 per cent.

But in Alberta, and indeed across Canada, assets have been allocated by Kline's methods. Alberta is now a land of private liquor stores and private health clinics. And it is a place where tough new social progress regulations have cut Alberta's welfare rolls nearly in half from 34,087 recipients in March 1987, to just 17,799 now. About 12,000 of those who have lost welfare benefits are enrolled in retraining programs, others have found jobs, or their wives or through a government program that pays them \$5 an hour to do work like tree-planting. 580 others have been offered bus tickets out of the province—although government officials claim that

■ **Mayer** (left) **Platt** as
Lloydminster's main
street, Edmonton (right).
Klein (bottom): an idea
of a joint to compare
controlling ways of
overflying a crisis

At the same time, a 17 per cent cut in health-care spending has also raised alarms, fuelled in part by few high profile accidents. Last month, a two-year-old boy was shipped by train rather than ambulance from an Edmonton hospital to a hospital in the border town of St. Paul.

son says. He is not in his mother's arms. The story—and questions about the impact of health care cuts—made their way through the province. But hospital spokesman Anne MacInnes Downey insists that there was no connection at all that the boy was putaged to be a good and stable child, even one that can survive for a good number of years to transfer patients when that is what is required. MacInnes says the success of his approach proves that governments can take tough measures without worrying about special-interest groups. But his critics are shocked by the speed and depth of actions.

In Saskatchewan, the shock is that it is an NDP government that is doing the difficult thing. And in a province that prides itself as the birthplace of modern, the government's decision to drop 32 acute care rural hospitals and turn three large health clinics has been a surprise to as well as highly loyal to some of the party's traditional supporters. "It probably takes a lot more," says Saskatchewan Federation of Labour's Barbara Jurek, "to make you realize that a social-democratic government is taking a turn away from Liberalism and Conservatives have taken." Rosemary's agreement has also taken her back because leaders who say that a series of tax hikes on everything from corporate profits to cigarettes will undermine the province's economy. But while the government has alienated some voters, it has not lost its support. It has not lost the power that Klein has drawn from its own observers, nor the police cooperation it hopes

The contrast between the two provinces are far from complete. Although Alberta has stuck to its promise not to increase taxes, it has increased such factors as health-care premiums. And Klein's decision to reduce funding to programs like kindergarten classes means that many parents will pay out of pocket for their children's education. And while the province's income tax is not to be paid for by the government, Alberta has been forced to cut part of the income increases flowing to the Saskatchewan government since not being allowed to raise rates but from increasing its tax structure and incentives. All have boosted economic growth. But budget targets imposed by the two governments in 1983 clearly show that Saskatchewan is treading heavily on the revenue side of its ledger, while Alberta is cutting spending. The province's revenue is growing rapidly, but not at a rate commensurate with the "severe" expenditure program of their contrasting approach. "The government is not doing a revenue job," claims Mike Coombes, Bismarck, B.C.



Of course, the Conservatives in Alberta have not always been so right-minded as they are now. They had the luxury of massive oil and gas revenues in the 1970s and early 1980s to fund some of the most generous social programs in the country. Alberta also had one of the country's largest civil services, in proportion to its population, and, in the late 1980s, invested huge sums to prop up ailing housing firms under the guise of economic diversification. But the revenue that funded that largesse collapsed along with oil prices in 1986, government income from natural resources that had averaged \$5 billion a year between 1981 and 1986 fell to less than half that in the next two years. By 1993, Alberta was running a \$3.7-billion deficit.

Saskatchewan, meanwhile, has traditionally been governed by fiscal conservatives. New Democratic or otherwise. Between 1984 and 1987, successive governments balanced 30 of 36 budgets—all the while governing a new social program. The crash in Saskatchewan came in the early 1980s, when a series of droughts ravaged the wheat fields that were the mainstay of the province's economy. At the same time, an agricultural trade war broke out between Europe

Alberta Treasurer Jim Dinning (left) and Saskatchewan Treasurer Ian MacKinnon (right) smile with different philosophies



GETTING TO ZERO

In their plans to eliminate their deficits, Alberta stresses a lower spending rate, while Saskatchewan wants to spend more on increased revenues. Saskatchewan's plan started in 1991-1992; Alberta's began in 1993-1994.

ALBERTA				
1993-1994	1994-1995	1995-1996	% change	% change
Total spending	\$15,026	\$12,242	-18.5%	
Revenues	11,617	12,454	+7.2%	
Deficit (surplus)	3,409	(212)		

SASKATCHEWAN				
1993-1994	1994-1995	1995-1996	% change	% change
Total spending	\$4,892	\$5,050	+3.2%	
Revenues	4,049	5,070	+25.2%	
Deficit (surplus)	.842	(1,020)		

and budgeting in a sound. To eliminate the deficit by eliminating only expenditures is unsustainable and undesirable.

There is no general agreement on which of the two approaches could best be exported under the prairie-sky whether Ottawa, in tackling its own budget dilemmas, for example, has more to fear from angry taxpayers or from Canadians who do not want to see cuts to social programs. And to state courts, the two plans are tailored to their respective situations.

"Saskatchewan people tend to be more social democratic," observes MacCallum. "So tax increases may be more palatable there, while they may be anathema to Albertans." Bruce Cameron, a Calgary-based senior vice-president of the Angus Reid polling firm, observes that the number 1 concern expressed by Albertans over the past three years has been the deficit, while people in Saskatchewan have been more worried about jobs. Certainly, political differences are obvious in Lloydminster: the Alberta side of the city is represented by a Conservative MIA, Saskatchewan's by a New Democrat

PHOTO BY [unreadable]

and the United States, driving down grain prices. The Conservative government of Grant Devine earned through its oil-rich province to cut losses, further reduce revenues in 1987. Since, Devine's government spent \$1.2 billion to the red. "It is only in the last years of the Conservative government," says Brian Neysmith, president of the Montreal-based Canadian Bond Rating Service, "that Saskatchewan seemed to have turned 30 to 40 years of fiscal conservatism on its head."

The two provinces faced severe fiscal difficulties when Romanow came to power in late 1995 and Klein took office in late 1992. But there were key differences. Alberta's economy was, and remains, richer and more diversified. Saskatchewan had amassed a larger debt—\$11.776 per capita in 1982 compared with \$6.676 per capita in Alberta. Because the interest costs on its higher debt kept gobbling up more assets, portions of the province's budget, "it has made it much more difficult to bring the deficit down," says Casey Vander Ploeg, research manager at the Calgary-based Canada West Foundation. "Saskatchewan has had to work harder and has probably had to absorb more pain."

Alberta's historically high-spending ways on the other hand, have made it easier than many other provinces to make spending cuts. And in Lloydminster, at Lorne's call, when 70-year-old Albertan August Harbel once complained that Klein's government is cutting too many seniors benefits, Dorothy Pien, 67-year-old homemaker living on the Saskatchewan side, Pien claimed that Alberta seniors had more

THE SHIFTING TAX BURDEN

Saskatchewan has increased the tax burden on its residents proportionately more than has Alberta over the past four years.

	Average family income	Tax burden (percentage of income)	Average family income	Tax burden (percentage of income)
	1990	1995	1990	1995
SASKATCHEWAN	\$48,650	\$9,623 (19.8%)	\$48,701	\$12,868 (26%)
ALBERTA	\$57,489	\$8,922 (15.5%)	\$60,230	\$10,333 (17.2%)

Note: Tax burden excludes federal taxes, but includes all provincial and municipal taxes. Provincial income taxes plus each family's burden of corporate, sales, excise, and personal taxes. Excludes federal income taxes. Excludes federal income taxes, but includes federal income taxes and property taxes.

But he says that Alberta has traditionally funded education more generously than has Saskatchewan. And Devine's promise that one-sixth of Alberta's (Alberta's) education budget would come directly from Saskatchewan is a reducing grants to his school board by about 14 per cent, Saskatchewan by about eight per cent, he heard still gets more money per student from Alberta than it does from Saskatchewan.

First, to education, the most controversial deficit-cutting measure in health care. Both provinces appear to be moving in the same direction, away from expensive acute care and towards more community and home-care programs. But Romanow tackled the issue first. Over about 15 months beginning in early 1993, Saskatchewan merged 406 health boards into 30 regional health districts. Then, it converted the 30 acute-care hospitals into so-called six zones, centres, health centres intended as local clearing houses for all kinds of community health services. Overall, Saskatchewan's health budget has fallen just three per cent, to \$1,534 billion in 1994-1995 from \$1,541 billion in 1993-1994. But



Knewkirk at health centre: 'We're human beings, not cattle'

FEAR IN A SMALL TOWN

As thousands of others in small towns across Saskatchewan, Bill Landy knows firsthand the cost of a balanced provincial budget. Landy, 71, lives in Burn, one of 58 communities in the province that rely on his hospital as part of the Romanow government's sweeping health-care reform. For Landy, who suffers from severe diabetes, the closure of Burn's 14-bed hospital has left him feeling vulnerable. Knowing the closest hospital is now 40 minutes down the highway. "It's kind of frightening not having the hospital any more," says Landy, who requires an oxygen tank to breathe. At least three or four times a year, he must have his diabetes stabilized in hospital, as if he does not act quickly, he often develops pneumonia. Says Landy: "Now when I get an attack, I don't know what to do." One option he is weighing is to leave Burn, 140 km northwest of Regina, where he has lived for 45 years, and move to a city where he knows a hospital is nearby.

Of all the Romanow government's efforts to balance its budget, none has been more controversial than its health reform policy. Two years ago, the government announced it was closing, or converting to health clinics, 50 out of 100 hospitals. At the same time, the province was organized into 30 health districts, each responsible for the allocation of health dollars allocated to it. Over two years, the government has shaved \$100 million off its health-care budget of \$1.5 billion. Moreover, had the rate of growth in health spending the government intended in 1991 been allowed to contin-

ue, health costs would have been \$400 million higher than they are today. "We've reached a critical turning point," says deputy health minister Duane Adams. "The health system is now financially sustainable."

As one of the communities that lost funding for its acute-care hospital, Burn is expected to make up a clinic staffed by a doctor and a nurse. But the tiny town in rural Saskatchewan, Burn has an aging population that believes its needs for health care are greater than ever. Mayor Duane Mayukh estimates that more than half the town's 600 residents are 60 years or older. "Closing the hospital has left with a lot of bad news," says Mayukh. "People feel threatened."

The government admits there are still problems in between a fifth and a quarter of communities that lost their hospitals. Some boards are struggling with the administrative responsibility they have been given for health in their district and, in some cases, mismanaged. Some have dropped out of the way district boards are allocating resources. There is no exception. As part of the North Valley Health District, there is controlled by the district office in Melville, 50 km away. Anne Knewkirk, a former rural town councillor, says the government should have attempted pilot projects before redesigning the entire system. Says Knewkirk: "We're human beings, not cattle." But despite the lingering problems, the new government has expanded relatively successfully. As the party that introduced medicine to Saskatchewan in 1962, it gets the benefit of the doubt from rural voters that major changes were necessary.

DALE EISLER in Burn

out of the savings from the consolidation of health boards and the closing of acute-care beds went back into the system and was redirected to community and home care. "Our goal is to make it sustainable," says Saskatchewan Finance Minister James MacKinnon. "Health care accounts for about 36 per cent of our budget and we want to keep it there, not allow it to go down if we don't balance—expanding and expanding until it's not at all what it was."

Alberta also conducted health-care administration—putting more than 200 health boards down to 17 regional health authorities responsible for implementing spending restraints. But the pace of reform has been slower. "The health authorities were given direction in June, and the deadline for submitting plans was Sept. 15," says John Edwards, a partner with Ernst & Young management consultants in Calgary who was a consultant to one of the boards. "There were no summer holidays, and a lot of other people, too."

So far three-quarters of the regional boards in Alberta have publicly announced their budget-cutting plans. Among other measures, those boards have identified night hospitals—including the in Calgary, and Edmonton—close to closing. But the province's health-care centres or long-term care facilities. In the meantime, the provincial government has implemented other spending cuts directly—insuring that it will no longer pay for eye examinations for those aged 19 to 64, for example. Overall, government spending on health care is projected to fall 17 per cent over three years—\$6.4 billion in 1999-1997 from \$4.6 billion in 1994-1995.

Followers on the same pressure map is good thing—that is, a forced action and creative thinking. "You could study drugs for 30 years," he said, "and not make any decision." And in fact, the speed of spending cuts is a key plank of Alberta's debt-reduction policies. Treasurer Jim Denning has repeatedly said that "you can't jump a chasm in two leaps." And Treasury spokeswoman Gord Ross says that, with debt payments rising, "we didn't have the luxury of time—doing it early and quickly worked for Alberta."

But the pace and depth of spending cuts are key sources of complaint for Klein's critics. They include seniors who live in health-care and housing benefits, and teachers who claim that a dramatic reduction in kindergarten funding and other changes are creating a two-tiered education system in which rich and poor no longer have equal access to services. In fact, according to Angus Reid's Canadian, most Albertans oppose cuts to kindergarten funding and other elements of health reform. "That view of that has translated into overall opposition to the government," says Canadian "People say, 'I can't

agree with the need to cut.'" Daybreak's Major Dennis Platt, for one, says he disagrees Klein's "missionary fervor" for sticking with tough spending cuts. "I hear there and more people saying that 'we've got to do it,'" adds Platt. "They listen and complain, but deep down when they think about it, they say it's the right thing to do."

In Saskatchewan, as in Alberta, there has been little public debate about the need to cut the deficit—only about the means to do so. And Finance Minister MacKinnon notes that balanced budgeting is as much a left-wing idea as it is a right-wing one. She has even quoted the 1933 Keynes Manifesto, the founding document of the Co-operative Commonwealth Federation, precursor of the NDP, which called for balanced budgets on the grounds that borrowing only perpetuates "the pernicious intergenerational class."

Under Reasonable, that philosophy translated into some tough spending cuts early in the government's mandate, with some easing of later in the plan. Overall spending expenditures—what the government spends on its programs—is scheduled to fall 1.6 per cent, to \$14.3 billion in 1996-1997 from \$4.4 billion in 1991-1992, although major interest payments on debt spending will increase. But the government is also increasing its spending programs. It has already cut funding to agriculture, for example, by 15 per cent since 1991-1992. Meanwhile, although spending in health and education has been reduced, the overall cuts have been relatively small (three and one per cent, respectively). MacKinnon has argued that the Saskatchewan



Student and teacher at Good Shepherd school where education cuts the kids have cut off.

KINDERGARTEN CUTS

In the Good Shepherd elementary school in Okotoks, just south of Calgary, kids in kindergarten are taking jobs. They are cleaning, playing with games in another room and sweeping sand and water in a box at the center of the room. It is all part of what teacher Linda Droucher calls "learning through play," preparing five-year-olds for the school world. And even though the provincial government is actually cutting from 490 hours to just 200 hours of instruction this school year, the kids at Good Shepherd get the full 400 hours of instruction—for \$175 per student, up \$28 from the year before. That is possible because the kindergarten program was taken over by a private society this year. And that has meant a slight cost savings: the administrators are all volunteers, parents have done some hand-running and the teachers are paid a flat rate per day, not a salary. "All of the people were worried about the cuts," says principal Gary Chisole. "But there was some creative thinking and I re-

ally don't think our kids have suffered. And the situation has helped the kids to reduce the deficit—well, a bad thing."

Despite Chisole's optimistic outlook, the cut to kindergarten funding may probably be the single most controversial move the Alberta government has made in its campaign against the deficit. Inequity is the biggest complaint. While some schools have found ways to offer a full program, others have not or have had to change high fees in order to do so. And the result has been a wide array of services across the province—with some parents, according to critics, not being able to afford kindergarten at all. In response last week, the Alberta government announced that it is increasing kindergarten funding 10 per cent for next year, and ordering every school board five offers of kindergarten (it is a voluntary

program) to provide at least 240 hours free of charge. Sarah Norris, director of administration for the provincial education department, says the government has determined that 240 hours is adequate "to make sure the child can make the transition to Grade 1."

In fact, says Jim Welsh, director of student services for the Rocky View School Division just outside Calgary, the children have disappeared from the system. "I did have parents calling and crying that they can't afford it," he says. "But if there are any staying home, you can count them. They are on one hand." Welsh is concerned, though, about inequities. And he points out that even after the changes in sources, that week, some schools will still be offering 400-hour programs for a fee. "If you believe in universal education, equity or fairness for all kids," says Welsh, "that's not happening in Alberta."

MARY MCKENNA in Okotoks

plan with compromise. "We haven't edited an eye about it, really, on objectives," she has said. "That would be no point."

Some of the government's critics, however, say that the plan is too great already. Labor leaders complain that the government failed to also cut the deficit in the oil and gas areas when it closed social-care facilities, for example, and has been too slow to introduce home care and other programs in their wake. On the other hand, the tax increases have also killed opportunities, especially given that tax rates were already considerably higher in Saskatchewan than in Alberta. The effects of taxation were evident at a Rotary Club luncheon in Lloydminster last month: When the host, president John Macdonald, who lives in Saskatchewan, stood only one of the 50 people present rose. Then, he asked members who used to live in Saskatchewan, but had moved to Alberta, to rise. 30 rose—more than 30 stood up. The underlying logic on the migration, residents say, is the lower tax rates on the Alberta side of the border. That was the reason the ex-British Columbia, Saskatchewan-born Glen Riley, moved for his business to establish his veterinary practice on the Alberta side of the border. That was the philosophy that went with it, "maximum flow, now 60," Alberta was saying, the Taxes of Canada. Saskatchewan was more conservative.

In the unique border city of Lloydminster, where moving to Alberta is as simple as crossing the street, that emotion is Alberta in an obviously exaggerated way. It is a symbol of what membership used to be a perennial problem in Saskatchewan—population decline. And while Saskatchewan's population has begun to grow in recent years (it is now just over one million), many leaders maintain that the government should not have increased taxes in a province that needs business expansion and better population growth. Some tax hikes included a 10 per cent deficit-reduction surcharge on personal taxation, a jump in the sales tax (the new per cent from seven per cent) and on fuel taxes (30 cents a litre from 10 cents), as well as hikes in cigarette taxes. Conservatives are the border with Alberta: they only province with no sales tax. And they have been particularly vocal about the disparity. "During that they are being brought in to cross-border shipping. "Our dependence would be no tax increases, and, personally, I think government spending at all levels should be reduced," and Saskatchewan's Energy Minister, Chairman of the Saskatchewan Chamber of Commerce's Finance Committee.

It is too early to know whether province's deficit plan is most sustainable in the long term, or which will have the most profound of Red or general economic performance. Klein's

'IT'S BEEN MESSY'

Alberta's premier champions deep spending cuts

Alberta Premier Ralph Klein has been trying the country, taking up the benefits of his government's efforts to eliminate the provincial deficit without raising taxes. He defended his policies in an interview with Maclean's Associate Editor Dean Morgan during a recent visit to Toronto. Excerpt:

Maclean's: A federal budget is expected shortly. What lessons can Ottawa learn from what's gone on in Alberta over the past two years?

Klein: I think there's a political lesson to learn. And that is: you can carry out a tough program and maintain political credibility and popularity. So the lesson is there make your decision, set your targets and



Klein: I don't know if any society in the history of this world has had its way back to prosperity.

achieve your goal. We identified an outstanding problem of something like \$3.4 billion annually. We said that would mean a 20-per-cent reduction in our overall spending. And our goal was a balanced budget by fiscal year 1996-1997.

Maclean's: And you are ahead of schedule. Klein: I've asked Albertans not to get too excited about that. We've been lucky in the revenue side. We still haven't completed the job of expenditure reductions and we're determined to do that.

Maclean's: How would you compare Alberta's approach to that in Saskatchewan, where they have reduced the deficit through a mix of spending cuts and tax increases.

Klein: The easy way is to raise taxes. The difficult way is to find new and better ways of doing things, and to reduce spending. To

me, it's no different than turning a house into a fire. You simply can't spend more than you earn. Only governments can artificially create revenue. Only governments have a legal right to print your pockets.

Maclean's: And isn't it also true that Saskatchewan uses higher taxes as the price it must pay to deal with its cuts to health care and education?

Klein: But again, taxation is so easy. I don't think of any society in the history of this world that has faced its way back to prosperity without raising taxes. I don't know of any society in the history of this world that has faced its way back to prosperity without raising taxes.

Maclean's: How do you respond to critics who say that the cuts in Alberta have disproportionately hurt the weak and the poor?

Klein: I say that's absolutely wrong. We have strictly and clearly articulated that we will look after—and look after very well—those who can't fend for themselves. But to those who can work and who say, "Ma, it's my God-given right to live off the state," we're saying, "No, sorry, you might be able to do that in other jurisdictions, but not in Alberta. We will give you an opportunity to work, we will help you to be retrained, and if you have young kids we'll look after them. And if you're severely disabled, and you legitimately can't work, we'll look after you. Otherwise, you're outta here." And by reducing the number of our welfare cases from something like 85,000 to 45,000, we've been able to put more money into areas where people truly need our help.

Maclean's: Now that it looks like Alberta will balance its budget, is there any room for putting money back into areas that need it?

Klein: Yes, I said it a while ago. Once you have your spending under control, you can take a good look at the house after the house renovation. You can say, "OK, where do the cracks have to be filled up? Where were the small construction mistakes?" In other words, when you make use, once we have restructured, that we maintain good education and good health? But no longer will we go into an overpumping mode. I think we are the only jurisdiction in the country that has legislation stating that after we balance the books, we will never allow our spend rate to rise again. That's the law.

Maclean's: Do you have any federal political aspirations?

Klein: None whatsoever. I've blessed that to a home renovation. It's been messy, it's been frustrating, it's been disruptive. When I was in the house, I want to be back at work for a while and put up my hand and enjoy the house. I'm not ready to get into another mess.

efforts have seen him a handful of awards from consumer groups and praise from international observers. Just last week *The Wall Street Journal* advised Martin to follow the Alberta premier's approach to deficit-cutting: that even Klein considers that his deficit-hungry success has been a result of world-class management. And treasury department officials warn that Alberta is still planning on a deficit for 1996-1999 before achieving a sustainable balanced budget in the following year in 1999-2000.

As for law taxes, what Klein calls the "Alberta advantage," government officials point to a decline in unemployment rates, low inflation and economic growth as evidence of the strategy's success. Certainly, most economists preach the investment appeal of low taxes. But a few are skeptical. "I think it's vastly overplayed," argues University of Regina economist Michael Rossman. "There are just so many other things businesses are going to be concerned about—like labour shortages."

Saskatchewan has also been lucky. It benefited from increased revenues from oil and gas and mining, as well as from tax cuts in 1995. As in Alberta, the government wants to continue growth and declining unemployment rates as evidence of its success. Most while, if high taxes did anything to discourage outside investment in Saskatchewan, that effect was masked by the general economic recovery. But there may yet be some clouds on the horizon. Both agriculture and energy are volatile sectors. And Saskatchewan is a "have-not" province—only serious reduction in federal transfer payments could upset its long-term budget plans.

But rates—whose credit ratings determine how much investors are willing to lend to a province—add at what rate.

As for budgeting, the government's plan to eliminate the deficit in 1996-1999 is a reflection of that province's larger economy and higher debt load. And Alberta has even more pressure with bond ratings for going the spending-out route to eliminating its deficit. The Canadian Bond Rating Service comments to give Alberta a higher rating is comparable with a few Saskatchewan. But its analysts did not praise Saskatchewan for raising taxes. "There was no smoke and mirrors," they actually made real cuts and real tax increases," says Canadian Bond Rating president Brian Neysch. "We thought their plan was a very active role and we had confidence in their determination to carry it out." Ultimately, however, the provincial governments are inseparable to bond markets and to their voters. And if there is a lesson for other governments in the experience of Alberta and Saskatchewan, it is that most of those voters were willing to accept tough measures. □

'BALANCE IS ESSENTIAL'

Saskatchewan has raised taxes and cut spending

Saskatchewan Premier Roy Romanow has been reducing his province's deficit through a blend of tax increases and spending cuts. It is widely expected that his government's next budget, to be introduced on Feb. 16, will balance the province's books for the first time since 1981-1982. He spoke with Maclean's Calgary reporter Chris Gledhill about his government's fiscal strategy.

Maclean's: How close are you to balancing your 1994-1995 budget?

Romanow: Consists of the combined forces of our fiscal plan and an economic turnaround, the promise of a balanced budget by the spring of 1996 is, for sure, going to be achieved. And it now looks very likely we're going to do it ahead of time.



Maclean's: To eliminate the deficit by simply eliminating expenditures is sustainable and undesirable.

Maclean's: Does the federal government have anything to learn from Saskatchewan? **Romanow:** The lesson is twofold. First of all, balance in budget-making is essential. To eliminate the deficit by simply eliminating expenditures is unsustainable and undesirable. On the other hand, you cannot eliminate the deficit by tax increases only. Secondly, people will not like the decrease in government tax with respect to either expenditures reductions or revenue enhancements. But they will accept it if it is seen to be fair.

Maclean's: How would you compare your approach to that of Alberta?

Romanow: There are some practical differences. First, it is generally believed in government circles that Alberta had a very wealthy rich and service. If that's right, there

was room to trim. But there is a philosophical difference as well. We believe that people are prepared to pay taxes for the provision of services, education, municipal government services. I believe that the philosophy in the Alberta government is contrary to that view. It seems to me that they size up the taxpayers' mind to be one of reduction, some might even say abolition, of the role of government. I think that that direction is one which will, I suspect, fundamentally alter the character of Canada. This character, that we believe in constitutional action through our government agencies, action such as Medicare, should be maintained and supported.

Maclean's: How do you respond to people who say that your spending cuts have gone too far, that you could have chosen alternatives like investing in job creation?

Romanow: Impossible. There is no way to grow out of this deficit-debt in Saskatchewan. That is not to say that you should not have incentives for economic development. But we examined that route and oil, because who wants to cut, and who wants to increase taxes?

Maclean's: How difficult was it politically to close, or convert to deficit, 22 rural hospitals in a province that was the birthplace of Medicare?

Romanow: Very difficult. People see in their communities not only a health centre, but an economic centre being affected. But our fundamental philosophy behind this change is that health is more than bricks and mortar, pills and high medical technology. We've tried to redirect money to wellness clinics—preventive care, respite care, education, nutrition, prevention against disease. The next stage will be home care for seniors and looking after special needs.

Maclean's: Hugh Klein has attacked a lot of publicly for his deficit-cutting efforts in Alberta. Is the substance in a direction contrary?

Romanow: I don't feel jealousy about that. If I did feel any frustration, and this does not speak to Hugh Klein, it is with the location of the corporate offices in Canadian culture, in the media. The message, which has a large measure of truth to it but which I think is over-stated, is that someone who is in-charge of managing our society's values because of these huge international forces that are beyond our control. If you don't lower your taxes, your businesses are going to go and leave for Chile or somewhere. You have to have the lowest Workers' Compensation Board rates. Forget about occupational safety. The location of that office has started to be because I believe that it is fundamentally un-Canadian and it's a fundamental error of what makes good society. I have no beef against Hugh Klein on a personal basis, or otherwise. Hugh Klein may be a current symbol of that rationality

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'Bittersweet' memories

Ramon Hnatyshyn hands the keys of Rideau Hall to Roméo LeBlanc

Roméo LeBlanc, a close political ally of Prime Minister Jean Chrétien, leaves his Rideau Hall job as Canada's 28th Governor General replacing Ramon Hnatyshyn. For his Saskatchewanese Hnatyshyn, 60, a former Conservative justice minister appointed by Brian Mulroney, LeBlanc's tenure marks the end of his years as the Queen's representative in Canada. Hnatyshyn says he will continue his work as his scheduled successor after at Rideau Hall in Maclean's Globe Editor Anthony Wilson-Smith and correspondent Warren Gosselin.

Maclean's: How do you feel as the time comes for this day? **Hnatyshyn:** It's been a very satisfying five years. Probably the appropriate word is farewell, the feelings positive. The memories, you do live your journey, your dreams with security, you're always with staff. I am looking forward to having private time, but it's a small price to pay for the other advantages.

Maclean's: It is hard on friendships being in the office?

Hnatyshyn: It is hard. You just don't drop it anymore. You can't just slip back to Saskatoon. We drop a sometimes on our close friends but it's not as easy for them to come here.

Maclean's: What surprised you about the job?

Hnatyshyn: It was hard to appreciate that I would be more active than I was when I was in politics. This is a very demanding job. There are enormous calls on your time. The second thing was that I really was impressed with the genuine display of friendship across the country. The reason you go places as the Governor General is to celebrate excellence and pay tribute to accomplishment. Accordingly, there are happy occasions, by and large, although there have been some very moving occasions where we have grieved together—the Winnipeg riot disaster, for example.

Maclean's: Were there any instances where you had to address a private matter that you thought a court of opinion was wrong?

Hnatyshyn: I will criticize my Government. General's prerogative to say that I have had occasion to meet with these prime ministers and I have had terrible relationships with all three of them.

Maclean's: The past, though, is not just personal.

Hnatyshyn: You do meet with the prime minister on a periodic basis. Prime ministers can come here, have discussions. I know that it is not going past these walls. I think there's a sense that there is someone they can speak to in a way that they might be reluctant to with

possible out of the partisan political scene.

Maclean's: Was the office better as an observer? Is it an observer?

Hnatyshyn: If we didn't have this office, we would have to invent something similar. These experiences, to carry large masses going to the regarding of what systems we have. We have to have a system where the state is representative. We have to have facilities to move moving heads of state.

Maclean's: Do you see a time when the Governor General would be elected?

Hnatyshyn: Eventually, the people of Canada will have to decide if it will evolve. It is easy to sound down a bang, it's hard to build one. You have to look at what you are replacing this office with. We have gone a long way in this country with our system. When again a elected, there might be an expectation that that person might exercise power and then we would have a competition between the prime minister and the Governor General. I don't have any feelings that a change in the office is really a great thing.

Maclean's: How the problems with the Royal Family in Britain had an effect?

Hnatyshyn: I think the Queen retains charisma, overwhelming support and loyalty in Canada. The institution of the monarchy has faced challenges over the years and it has survived and sustained itself. So who is it to say that it will not survive?

Maclean's: Did you see any chance of change in attitude here instead of the problems?

Hnatyshyn: I think in Canada we have done things that have made the office of the Governor General a more Canadian institution. I think that is important.

Maclean's: What do you want to be remembered for?

Hnatyshyn: I would hope that we have brought an openness to the office. I would hope that people look back and say my wife and I have been successful in making Canada as best as we could.

Maclean's: On the first morning you are not in office, what are you going to do sleep in, or on the phone, later on the night, wonder around the house in your pajamas?

Hnatyshyn: I'd like to sleep. ☐



Hnatyshyn: 'I hope we have brought an openness to the office.'

their own political colleagues. It gives them a chance to discuss some matters they might have to deal, to discuss personal changes, and to hear someone who is, in the best sense of the word, disinterested, not involved.

Maclean's: What public role do you play now?

Hnatyshyn: I don't think it would be appropriate for a former governor general to involve himself or herself in partisan political issues. Even though you have left the office, you wouldn't be doing a service to it to jump back into the politics. Would you see any other way to do a stepping stone to another agency? So I think it is important to remain as far as

Canada NOTES

BERNARDO TAPES

Justice Patrick LePage said he will view videotapes to be offered as evidence in the Paul Bernardo murder trial before deciding whether the public will be allowed to see them. Bernardo is accused of the sex slayings of Ontario schoolgirls Kirsten French, 15, and Leslie Mahoney, 14. The girls' parents and prosecutors want LePage to bar the public and media from seeing the videotapes when they are screened at the trial, which is scheduled to begin in Toronto on May 1.

DNA IN QUESTION

Dr. Edward Skolnik, one of three scientists involved in the genetic testing that recently exonerated Guy Paul Morin in the 1984 murder of nine-year-old Christine Jessop, said that "weak" results obtained from the samples taken from bones found on the dead girl's unidentifiable coat indicate that she was attacked by two men. Police plan a complete re-investigation of the case.

DRINKING DOWN

Statistics Canada reported that sales of hard liquor in Canada fell by 5.8 per cent in 1989-1990 from the previous fiscal year. Beer sales dropped by 3.6 per cent and wine sales by 0.9 per cent. For Canadians over the age of 15, per capita consumption totaled 5.7 litres of liquor, 21.6 litres of beer and 90.1 litres of wine.

WESTRAY CHARGES

More Seattle Supreme Court Justice Robert Anderson ruled that manslaughter charges against Gerald Phillips and Roger Parry, two managers of the former Westray coal mine at Plymouth, N.S., will stand. Defence lawyers wanted the charges dropped, arguing that they were unconstitutional because they put the burden of proof on the accused. Phillips, Parry and mine owner Corrough Inc. of Toronto were charged with manslaughter and criminal negligence causing death after a May 1982 explosion at the colliery killed 26 miners.

DRUG ALERT

Health authorities in British Columbia and New Brunswick warned that children with chicken pox should not be treated with the anti-inflammatory drug ibuprofen until researchers can further study a possible link to reoccurring Kawasaki, the so-called heart-eating disease. Health officials in Seattle say that of 12 local children with chicken pox who developed reoccurring fevers in the past year, none then fell below being taking ibuprofen or similar drugs.



REMEMBERING MELANIE: Rev. Bob Baird addresses a crowd of nearly 3,000 people at a public memorial service for Melanne Carpenter in a Vancouver hotel arena. Carpenter, 28, was sexually assaulted and murdered after she was abducted on Oct. 6 from the housing salon in Surrey, B.C., where she worked. Her suspected killer, convicted sex offender Pamela Anker of Calgary, was killed inside about a week later.

A setback and a comeback

Quebec Premier Jacques Parizeau was on the defensive again last week after he was forced to fix his second culture and language bill in order to win enough support to pass it. Parizeau, who will retain his premiership position, came under fire for replacing the head of Radio-Québec—the province's public television channel—with Raymond Blais, a liberal and former campaign worker, who resigned four days after taking over the job. Her predecessor, Marie-Mai, was forced to step down last November after it was revealed that she had voted illegally in several provincial and federal elections. Parizeau said he will personally take over the portfolio for as long as necessary to get the cultural legislation back on the table.

But in a welcome development for Quebec sovereigntists, Bloc Québécois Leader Lucien Bouchard has requested a meeting with U.S. President Bill Clinton when he visits Ottawa at the end of February. Asides to Bouchard,

who has not made any public political appearances since he lost his leg to the so-called Redwinger disaster in early December, said that he will use the meeting as his official re-entry into political life.

Cancer soaring

Statistics Canada estimated that Canadian doctors will diagnose 125,400 new cases of cancer in 1995—and that 15,580 Canadians will die from the disease. That represents a 37 per cent increase from the total a decade ago. Officials attribute the number of new cases and deaths to an aging population. Among men, rates of prostate cancer continue to rise dramatically, largely due to better detection methods. Among women, meanwhile, the incidence of lung cancer has quadrupled since 1970. Rates of lung cancer among men, however, levelled off during the 1980s due to a decline in the proportion of smokers who smoke regularly.

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Clinton's new budget sets the stage for a battle with the Republican-controlled Congress

DRAWING A LINE

at summer, the U.S. Congress yielded to months of intense pressure from President Bill Clinton and quietly assented to legislation that he lashed as "the toughest, largest, smartest federal attack on crime in the history of our country." The move had cut off 19 types of assault weapons, increased penalties for violent crimes, and

launched a major program to finance prevention programs, prisons and municipal police forces. Lawmakers have heard about 7500 police with the federal grants so far. Last week, as a Congress now controlled by Republicans with different priorities than the Democrats they supplanted in the November election, the new majority began reversing the funding measures in the Clinton crime law before tackling repeal of the assault weapons ban in the spring. That attack on one key feature of the Democratic President's statistical policies mislabeled against that the annual federal budget Clinton prepared for delivery to Congress on Feb. 6 would be largely a dead letter.

Many details of Clinton's tax and spending plans for the U.S. fiscal year that begins on Oct. 1 comply, at least in part, with Republican demands—middle-class tax relief, a diminished federal government and a shift of spending power to the states. Clinton, affecting revenue losses from tax breaks with programs cuts, also responds in the prevailing anti-deficit dogma by keeping the budget's overall increase roughly in line with the U.S. economy's growth (up about five per cent to \$1.6 trillion in U.S. funds). He holds the excess of spending over revenue to under \$200 billion (U.S.), down from a peak deficit of \$200 billion four years earlier. He projects to turn out in the deficit. But overall, and in the end, the president's stand with major social programs, providing more funds for the military program—the budget talks about of goals set in the resolution led by Newt Gingrich, Speaker of the House of Representatives, against what he decries as "bureaucratic welfare state and a counterproductive art of voters."

That seemed to set the stage for a congressional tussle of the Clinton program. Republican leaders propose mid-fiscal-year cuts to federal outlays. It is true that annual budgets crafted in the White House never

emerge unaltered from Congress, regardless of party alignments. Clinton discovered that two years ago when a Democratic majority wrecked his first budget's attempt to kick-start a lagging economy with increased federal spending. Last week, Clinton served notice that he is ready to cooperate with the Gingrich Republicans on his budget. "I'm looking forward to working with Congress to see how we can do even better." But then, in a separate announcement that defied Republican opposition, the President urged Congress to raise the hourly minimum wage far from \$4.25 to \$5.15 (57.25 in Canadian funds). Some Republicans, claiming that the minimum wage costs jobs and hurts inflation, want to slash it altogether. As far as an increase, said House Majority Leader Dick Armey of

written under federal jurisdiction at two annual stages from \$4.25 to \$5.15 (57.25 in Canadian funds). Some Republicans, claiming that the minimum wage costs jobs and hurts inflation, want to slash it altogether. As far as an increase, said House Majority Leader Dick Armey of



AP/WIDE WORLD



Gingrich and Clinton, New York City crime scene after the new assault weapons ban before building repeal of the assault weapons ban in the spring

Texas, "I will oppose it with every fiber of my being."

Such moves over money matters as Capitol Hill also allocated U.S. efforts to help Mexico out of a major export financial crisis—and provoked open dispute within the Republican ranks only four weeks into the initial session of the new Congress. Both Gingrich and Senate Majority Leader Robert Dole endorsed an original Clinton plan to co-sign measure back home in Mexico with guarantees backed by the U.S. public purse. The majority on Capitol Hill, at its group-prodding mood, rebelled when their

leaders sought the necessary congressional approval. And when Clinton then set up the support for Mexico by executive action—with the compliance of Gingrich and Dole—several Republicans denounced the deal as an end-run around Capitol Hill. Gingrich publicly rebuked them, claiming of Clinton, and declared, "I will tell you flatly I did not exactly see lots of members jumping up and down and eager to vote 'Yes' for the original loan guarantee package!"

Other pre-budget statements seemed to leave little room for compromise between Clinton and Congress on domestic spending. Expenses at or near include such increasingly costly programs as federal Medicare, which serves some 37 million senior citizens and disabled people; Medicaid, a shared federal-state health plan for 30 million poor people and pregnant women; Social Security; the U.S. counterpart of Canada's Old Age Security pension program. In Clinton's annual state of the union address to Congress, two weeks before he presented his budget, the President drew the line. "My budget cuts a lot," he said, "but it protects education, veterans, Social Security and Medicaid, and I hope you will do the same thing." Both Gingrich and Dole reiterated in speeches last week that government health care, at least, is not up for sale in the upcoming campaign in Congress. Gingrich and a task force should be assigned to "rethink Medicare from the ground up." "Send Dole, 1996," concerns about both Medicare and Medicaid. "What we need to do is focus on how to do more with less, thinking smaller and thinking smarter."

How to do more with less is the question at the heart of the debate in the United States—and throughout North America—over balancing demands to restrain government debt against the needs of citizens in their changing and disorienting economies. Even the woe of reform House Republicans eager to cut government down to size are feeling the conflicting pressures. As House committees labor last week on their mission to outlaw budget deficits by the year 2001—a promise in the Republican election campaign's "Contract with America"—division Sam Brownback remarked that his Kansas constituents are planning to tell him: "Yes, we need to cut, but don't cut up programs."

State and municipal politicians face a similar predicament. The 30-state governors divided at a Washington conference last week over proposals to free federal funding for several welfare programs from conditions set by Washington, leaving the funds into block grants, and let each state decide how to use the money. Some governors expressed concern that such a scheme might prompt citizens to shop across state boundaries for the best deal, encouraging state legislatures to reduce services far from an influx of demands. Others saw handing programs into block grants might make them more vulnerable to waxy cuts by Congress, leaving state taxpayers to take up the slack—effectively shifting federal social problems onto the states.

Vermont's Gov. Howard Dean, a Democrat who chaired the National Governors' Association conference, cautioned that success in the Republican drive to halve the federal budget would reduce services around the country by about 30 per cent. "When you talk to pro-

ple about what a 20 percent cut does to your schools, you would have a lot of angry parents demanding that the state spend more money." When you talk about what it does to health care, or libraries, you're going to have a lot of angry people who use those services demanding more money.

Members of the U.S. Conference of Mayors, who also met in Washington last week, are fearful in turn that barless passed from Washington to the state governments may simply be bounced down to the municipalities—the last line in the struggle for schools, health care and help for the needy. Critics of the money shuffle cite an example in New Jersey where Republican Gov. Christine Todd Whitman has become a hero of her party because of tax-cutting, expense-reducing policies she has pursued since she took office 18 months ago. Whittingham assigned Whitman, a potential U.S. vice-presidential candidate in 1996, to respond to Clinton's state of the union address on national television. One result of her visit to state towns and spreading war-torn opportunities is an increase in municipal property taxes to pay for local services. "American people are angry," said Vermont's Gov. David "They want more efficient government, but they also don't want to lose the services they have."

Clinton's answer is the candidate

in to transform America. "The thing we have to do is literally replace the welfare state with an opportunity society," he says. The first step is to reduce government, and people's dependency on government, he adds in a standard speech. To accomplish that, "we don't have to dismantle programs. We simply have to not pay for them. Under our constitution, if the spending doesn't originate in the House and the Senate, it cannot be spent."

And Clinton has presented Gingrich and his Republicans with the answer to that end. "The budget is the transformational document for this system," says the House Speaker. "When you change the budget, you're really changing government. And until you change the budget, you've just talked about changing government."

For the new budget's author, there are other goals to keep in mind. As Clinton told Congress in his state of the union address: "I think we should all remember, and almost all

of us would agree, that government still has important responsibilities." He urged the Congress to be mindful of "certain fundamental and needs"—from communications, mental childhood disease to school lunches and medical care, safe water and safe highways. "Should we cut the deficit more? Well, of course, we should. But we can bring it down in a way that still protects our economic recovery and does not punish people who should not be punished and instead should be helped."

Many American analysts, citing the formidable if not impossible task of reconciling the drive to reduce government with the persistent needs of society, have faulted Gingrich for pursuing simplistic flights of fancy in his speculation. Clinton for being too willing to please all sides. But as their debate over the budget, despite agreements on the need for reform, the limits of difference to how to go about it are already deepened clear.



Mexican workers of *El Financiero* in Chihuahua shrinking press

'VIVA CLINTON!'

Guillermo Peréz Lasso had a dream. After scraping and saving for 20 years, the 40-year-old householder was going to have enough money for a down payment on a modest Mexico City apartment by 1994. But the sharp devaluation of the peso in late December put an abrupt end to his hopes. Since then, interest rates have soared and prices for a wide range of essentials, including food and housing, have risen. Peréz, a single mother of two with three other kids, is now struggling simply to make ends meet, not Peréz. "There are nights I don't sleep because I'm thinking about money."

Although these problems are unlikely to be resolved soon, there was at least a glimmer of hope for Peréz and her fellow city area last week when U.S. President Bill Clinton announced a \$7-billion international package of loan guarantees for Mexico. In Mexico City, the stock market immediately soared and the press gained strength, prompting some newspapers to print banner headlines proclaiming "Viva Clinton!" Among those who had the most to gain from Clinton's announcement was Mexican President Ernesto Zedillo Ponce de León, whose government has suffered one politi-

cal setback after another since taking office on Dec. 1. In particular, Zedillo's foundation throughout the campaign crisscrossed questions about his leadership skills and sparked opposition calls for his resignation. The U.S.-led aid package "gives Zedillo a chance to start again," said Arturo Sánchez of the Mexican Institute of Political Studies in Mexico City.

But the conditions imposed by the United States and the International Monetary Fund could ultimately cause political headaches for Zedillo. IMF aid opponents and many working-class Mexicans argue that the aid agreement is just a \$10 billion to annual aid export program is collateral for new foreign loans is as difficult to national sovereignty. And the strict fiscal conditions imposed by the IMF mean that Zedillo's central government will have less

money for much-needed social programs. "It's an act of imperialistic imposition forced on a country that is handicapped by a difficult situation," said Jorge Colón-Soto, the international affairs secretary of the leftist Party of the Democratic Revolution. More experts, however, express confidence that the aid package will suffice to shake up Mexico's battered economy. "This will calm the situation down for a while," said one analyst at a Mexico City brokerage house, who did not say his name. "It will increase confidence and it will likely prevent capital from leaving Mexico." That could be useful, though. But if those predictions prove accurate, working-class Mexicans like Peréz may yet see their modest dreams realized.

SCOTT MCGREGOR in Mexico City



EUROPE

Deluge

Critics say massive flooding was manmade

To the rest of the world, floods are an synonymous with Holland as wooden shoes, tulips and windmills. There and again over the centuries, disasters have deluged the northern European country, often with catastrophic results. But after 3,000 people died when the North Sea burst through a dike in 1953, Holland built a network of sea walls so formidable that the Dutch thought they had tamed the waters forever.

How, then, to explain why the Dutch are now bailing themselves out of the second so-called flood of the century in just 33 months? The floods that last week washed over parts of France, Belgium, Germany and Luxembourg, as well as the Netherlands, left 20 people dead and forced 300,000 to flee their homes. Collapsed streets in French towns were transformed into rivers, cargo traffic was stranded on Germany's Rhine River, and European governments prepared to dole out billions of dollars in donations, humanitarian and loan guarantees. As of last January's unusually rainy weather allowed the rivers to subside by week's end. But the Netherlands' dikes remained weakened—and the Dutch remained wary.

After the Japanese earthquake last month's Kobe earthquake, the victims of last week's disaster were unwilling to blame nature alone for their plight. Instead, they accused government officials of negligent planning and botched crisis management. The truth, however, is that the Dutch were caught bailing the wrong way. Having subverted the North Sea, they ignored the man-made peril that was missing on the continent behind them. Throughout this century, urbanization and modern farming practices have reduced the land's ability to absorb rainwater. Meanwhile, engineers have been straightening the rivers to increase their capacity for large traffic. The result is a perfect conflict for missing remnants of rainfall water. "We've been caging the land for 60 years," said Stephan Martens, environment minister in the German state of Rheinland-Pfalz, "and we've got to change that."

BRUCE WILKINS in London



(Clockwise from top left) Floods of streets in Charlottesville, Virginia, France, Richmond, Netherlands, Bonn; increased urbanization and modern farming practices have reduced the land's ability to absorb rainwater



WHAT'S NEW.

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The Financial Post

World NOTES

FORGING AHEAD

At a one-day summit in Cairo, Israel and the Palestine Liberation Organization agreed to continue working towards peace despite setbacks caused by Islamic terrorists and continued Jewish settlement in the still-occupied West Bank. PLO leader Yasser Arafat and the leaders of Israel, Egypt and Jordan also made a fresh commitment to the goal of a comprehensive Middle East settlement including Syria and Lebanon.

MISSION TO HAITI

The UN Security Council ordered the dispatch of nearly 7,000 peacekeepers to Haiti by March 31, replacing the U.S.-led mission that restored President Jean-Bertrand Aristide to power last year. The United Nations plans to help organize elections and train a professional Haitian military and a civilian police force.

THE NO. 1 KILLER

AIDS has surpassed accidents as the leading cause of death among Americans aged 25 to 44. According to new statistics from the U.S. Centers for Disease Control and Prevention in Atlanta, in 1993, about 35 of every 100,000 young adults died from AIDS. The same year, about 32 per 100,000 died from accidents. The next most important causes of death were cancer, heart disease and suicide.

TERROR IN ALGERIA

A suicide bomb attack on the Algerian police headquarters killed at least 42 people and wounded more than 200. It was the deadliest incident yet in a three-year-old campaign by Islamic militants trying to overthrow the army-backed government.

AN ADMISSION OF GUILT

Colombian President Ernesto Samper publicly accepted the state's responsibility for assassinations in the southwestern town of Trujillo between 1980 and 1990, when peasants were tortured, burned with kerosene, and up to up chain saws and dumped in a river. Human rights groups say the killings were carried out at the request of drug traffickers by paramilitary groups with police and army complicity.

THE COST OF RECOVERY

The January earthquake that hit coastal Japan, devastating the port city of Kobe and killing at least 5,240 people, caused at least \$1.5 billion in damage. New estimates by the Japanese government placed damage to 37,000 homes and buildings at \$91 billion, to port facilities at \$28 billion, to highways at \$5.4 billion and to railways at \$6.4 billion.



UNEARTHING A MYSTERY: After four years of digging in Egypt's Western Desert, a team of Greek archaeologists have discovered what they claim is the tomb of Alexander the Great. They are now digging out a tunnel that they hope will lead to the burial chamber. Alexander died in Babylon in 323 BC, but his burial place has been disputed for more than 2,300 years.

The other trial of the century

While the O. J. Simpson murder trial in Los Angeles continued to occupy the public's attention, the biggest terrorist trial in U.S. history opened to little fanfare last week in a New York City courtroom. Egyptian Sheikh Omar Abdel-Rahman and 11 other Muslims stand accused of helping to plan the 1993 World Trade Center bombing, which killed 30 people and injured more than 1,000 others. Among other charges, the defendants are also accused of plotting to bomb the United Nations, the headquarters of the FBI and two banks and a bridge linking Manhattan and New Jersey.

Prosecutors showed the jury a videotape of a 1993 speech by New York in which Abdel-Rahman, 56, declared: "We must be terrorists and must terrorize the enemies of Islam. The enemy who are at the forefront of the work against Islam are America and its allies." Defense lawyer Lynne Stewart acknowledged that Abdel-Rahman was antipathetic and critical of U.S. policies in the Middle East. But she

took issue with the FBI translation of the speech, which she claims was merely a plea for donations for Muslims to fight oppression in Bosnia.

Bombs away

Under pressure from veterans groups and members of Congress, the Smithsonian Institution in Washington agreed to revise an exhibit based on the U.S. decision to drop atomic bombs on Hiroshima and Nagasaki in August 1945. Critics complained that the planned exhibit, organized by Canadian historian Michael Macleod, would have portrayed Americans as racist, questioned the morality of the bombings and underestimated the number of U.S. casualties that would have resulted from an invasion of Japan. In May, a scaled-back exhibit will display part of the footage of the Enola Gay, the B-29 bomber that dropped the first atomic bomb on Japan, accompanied by a static plane.

RULES AND REGULATION

A new report recommends tighter controls for the mutual fund sector

For the past three years, Maria Colquhoun has been playing the stock market by buying mutual funds. And like thousands of other Canadians, Colquhoun, an accountant living in suburban Toronto, has been able to select from a bewildering array of investment funds. In fact, Canadian investors pushed the amount of money invested in domestic mutual funds to \$132 billion in 1994, from just \$4 billion in 1980. During that period, hundreds of companies have been crisscrossed in cash on the extensive possibility of such investment vehicles. There are now more than 900 different mutual funds available in Canada and, according to some observers, that has inevitably led to some dubious industry practices—from knowingly selling flawed products to charging investors hidden service fees. But last week, Clarence Stronberg, a commissioner of the Canadian Securities Administrators, a national body of provincial securities regulators, issued a report in Toronto that could help to protect consumers like Colquhoun by forcing mutual fund companies to adopt national standards and to fully disclose where their money is being invested. "No matter where I went the first question was about investment funds," said Stronberg. "People didn't understand them or what they had to pay."

Stronberg, who is also a commissioner of the Ontario Securities Commission, began her mutual fund investigation last February, and many of her recommendations could be in place early in 1996. She consulted with provincial securities regulators, leading executives in the mutual fund industry and lobby groups representing the sector. And after reviewing dozens of her 250-page report, Bryan MacIntyre, former Regulatory Investment Funds in Canada, looking at protecting investors from overly aggressive marketing tactics. "To advance that goal, she called for the creation of a national regulatory body by which any firm or individual selling mutual funds would have to be a member. As well, to increase accountability, Stronberg said that mutual fund dealers would have to furnish investors with what she termed a "full disclosure document." It, in turn, would form part of a prospectus and would be legal and binding in the event of false representation, said Stronberg. "It's time for a fresh look at the industry."

That report is now being analyzed by the heads of the Quebec, New Scotia, Ontario and Saskatchewan securities commissions. Ed Whelan, chairman of the Ontario Securities Commission, said that many of the proposals could be



Stronberg (left) delivers her report while OSC chairman Ed Whelan looks on 'a fresh look'

adopted in Ontario next spring. He declined, however, to say which of the recommendations would likely be enacted locally. And the immediate reaction in the investment community was also largely positive. Dan Gerson, president of Walwyn, Mass Capital Ltd. of Toronto, a subsidiary of the retail brokerage firm, Midland Walwyn Capital Inc., said the prime concern of the report is protecting investors by giving them more and better information. Said Gerson: "The individual investor needs to know a lot more about what it is he is investing in, and who is managing his money."

To help Canadian investors to find the right mutual fund, the report also takes note of how the commissions generated from fund sales are displayed—an issue that has also troubled regulators and consumers alike. Under Stronberg's plan, all payments to fund companies, except for specific sales commissions declared in their prospectuses, would be prohibited. That would put an end to so-called soft-dollar deals and reciprocal commissions. Under such arrangements, sales commissions that an individual investor pays to purchase a mutual fund are used by the firm selling the fund in key services, such as research, computer software or other services, from a brokerage firm. But many industry analysts believe that the brokerage firms then secretly invest what is being sold by mutual fund salesmen. And that could lead to a conflict of interest. Noted Stronberg: "There are unacceptable business practices that raise many questions."

Among Stronberg's other key proposals:

- A firm selling mutual funds would be required to have an independent board oversee its investment funds.
- In addition to a national regulatory body, a joint regulatory co-operation group should be set up to monitor new industry practices in the sector and to ensure that no regulatory gaps emerge.
- A standardized system for calculating the value of a mutual fund should be developed.
- The industry should adopt a universal set of standards for determining the value of volatile, high-risk financial instruments, such as derivatives, in portfolios.

Stronberg said the sweeping reforms are necessary because the investment industry has become significantly fragmented. In fact, mutual funds can now be sold by banks, trust and insurance companies, brokerages and financial planners. And each of these institutions, in turn, are regulated by different bodies. Bringing the industry and better protect consumers. "One of the problems of that different financial institutions are selling the same type of investment," said Gerson. "But regardless of where you buy your mutual fund, there should be a consistency in the level of disclosure, skill and knowledge."

Many of the recommendations were supported by representatives of the mutual fund industry. For one, Shirley Doherty, assistant manager for personal financial services with the Winnipeg-based Investors Group Inc., said that not all salespeople in the industry have

A STRONG MUTUAL INTEREST

Mutual fund sales have increased more than 3,000 per cent in the last 12 years. The amounts in billions:

1982	\$4.1
1984	\$6.7
1989	\$17.5
1990	\$20.9
1990	\$24.9
1992	\$57.3
1994	\$127.3



Brokers trading moving stocks; investors need to understand more

been trained properly. This became apparent last year, she said, when volatility in the stock market forced a large number of investors to abruptly cash in their mutual funds. "Investors weren't properly aware of all the factors that can affect the value of mutual funds, and they panicked," said Doherty. "This is an indication of a requirement for better training for sales and support staff."

The Investment Dealers Association of Canada, which represents the securities industry, also backed many of Stronberg's findings. Association president Charles Gaty said that his group supports Stronberg's attempts to create a common regulatory environment across Canada. And he echoed the call for an independent body of disclosure. "There should be clear disclosure about an individual fund's objectives and risk profile,"

said Gaty. "That would permit a consumer to make a better comparison between one fund and another."

Like Stronberg, Gaty also wants to close up the controversy surrounding the issue of "soft money." He said that it is unfair for a consumer to pay commissions on the securities transactions with the mutual fund only to have the firm use those fees to buy services from a broker. Doing so, he said, leaves the impression that the mutual fund sale was based on what the salesperson's firm needed, and not what the client required. "It doesn't look good or smell good," said Gaty. "It would be clearer if more of that was allowed."

Still, Stronberg's proposals received a less enthusiastic reception from Thomas Hodson, president of the Investment Funds Institute of Canada, a group representing the mutual fund industry. He said Stronberg's report was merely a discussion paper and represented only his view. But he did agree with Stronberg's suggestion that the Canadian public wants a national regulatory body to oversee the industry. Said Hodson, he said, should be self-regulatory and comprised of representatives from the companies that sell mutual funds in Canada. And he also agreed with the report's suggestion that investors would be protected by a higher degree of disclosure. Said Hodson: "We did focus groups, and investors were saying they wanted one or two pages of the core things that they need to know from a risk point of view."

While attempting to tighten the regulations surrounding the industry, Stronberg also proposed to always expand the sector by allowing banks to sell mutual funds on behalf of other investment firms. By doing so, the industry would have access to the bank's vast network of customers. Added Gerson: "It will be a boon for those funds which are selected by the banks and level the playing field for investors." And a level playing field is something that investors—especially in times of market uncertainty—badly need.

Exporting entertainment



Acme Prod. (left) and Durrer Novelties shooting a scene for Dan in the Sun in Toronto

BY BRENDA DALGLISH

As South, one of this season's most popular new television series in the United States, features a polka-dotted leading the name streets of Chicago. While selling degenerate crack heads and petty thieves, the subliminal Moonie speaks as correctly that he rarely sees constructions, let alone cross words. If that seems like an unusual premise for a hit U.S. series, consider his even more unlikely sibling—a deaf, lipreading well-meaning underthinker. Although American viewers may not recognize the name of even realize that they are watching audio-Canada television, they like the series. *Dan, Sam*, which is broadcast on Thursday evenings in cooperation with NBC's strong comedy night, including *Mad About You* and *Seinfeld*, is the highest-rated new television series on the CBS network this winter. Robert Lantos, whose company, Alliance Communications Corp. of Toronto, produces the show for CBS, says that it is also the highest-rated television series ever made in Canada. "Being a little off-center is an advantage today," says Lantos, whose company currently has four other projects in development that feature Moonies. "Whatever Canada has that is differ-

A host of Canadian companies are making international inroads in a competitive market

ent—even if it's nothing more than pure psychology—works in the west."

In fact, a great deal is now working in favor of the Canadian entertainment industry. In addition to the cultural distinctiveness of clothing Moonies, the industry enjoys such benefits as advanced international sales and distribution systems, skilled artists and technicians and lower production costs that are paid in Canadian dollars, while sales are made in U.S. dollars. And for a business that was almost nonexistent 30 years ago, the Canadian entertainment industry is maturing quickly. Although some outsiders worry of accounting problems relating to the way companies are valued—which could stain the short-term reputation of the industry—in the past two years many of the leading entertainment companies in Canada, including Alliance, Cinar Films Inc., Nelvana Ltd., Alliance Communications Inc. and Love Entertainment Inc., have sold shares to the public.

In 1994, provincial film commissions estimate that \$12 billion was spent producing movie and television programs across Canada. Statistics Canada says that more than 300,000 Canadians now work in the "culture sector," which ranges from film production to book publish-

ing. "The entertainment industry is an extremely labor-intensive business that spins off good jobs that require creativity and technical skills," said Michelle Chouet, chairman of Cinar Films, a Montreal-based television production company that specializes in animation series for children. "It's part of the New Economy. This is a industry of the 1990s."

The new stock market has turned in record performance since they were sold to the public. While the stock market in general has performed poorly as the past year, analyst Roger Drexel, who covers entertainment stocks for Wood Gundy Inc. in Toronto, says that investors have been evaluating the new entertainment industry and some of them have been caught in the general decline of small capitalization stocks. Nelvana's initial offering, for instance, was made in May, 1994, for \$64.25, but it is now trading at \$15. Others have fared better. Alliance's initial offering was priced at \$25 in July, 1992, it is now trading at \$15.75.

Still, the procedures of the entertainment business make investing in it a case of risk. Tales of Hollywood accounting systems, which include improper cost accounting so that even some widely successful projects never appear to make money, are well-known in Canada, says industry insiders who say that the accounting problems in the post-auditing are even worse. For instance, a large part of the value of most entertainment companies is their libraries—old movies and television series that they have the right to resell. But Canadian accounting rules do not strictly define how those values should be calculated. "Do you write off a project over one year or over 30?" and one industry insider who asked not to be identified, pointing out the difference such decisions make in a company's profitability and asset value. "The various public companies all do it differently."



Nelvana's Little Lulu and Ropert movie stars Canadian content

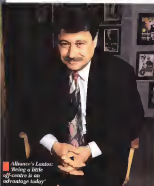
A combination of two other factors is greatly increasing the international demand for entertainment products. Lantos says that a technological revolution has broadened the outlets for entertainment. Satellite dishes and video rental stores are increasingly competing with traditional television and video productions. And, he expects the product, the 500-channel TV universe is just around the corner, the demand will grow even greater. At the same time, increasing political freedom and rapid economic development in countries like China, Russia and Eastern Europe are multiplying the number of consumers who are able to watch *Josselyn* or *Moby-Dick*. "The combination of those two events," says Lantos, "is creating a cornucopia of revenues for products which had an ever-widening market."

But as demand increases so does competition. Fewer industries have the kind of competition this entertainment companies experience. "Think of how brutal that supper at home is," says Lantos. "It can say you out of the main theatrical close-up in a moment. The customer is king, no one can tell him what to watch." As a result, the competition to produce popular products is intense. Lantos says that last year, for instance, NBC and more than 100 million in the U.S. have based their decision on the life of *Lupinus* (Lupinus) Bonchuk—better known as *Bambi*. The network bought the program right away, based on nothing more than a screenplay, a producer, a director—and the knowledge that Alliance was overseeing the project. "They had to rely on us to deliver the finished product on time, so they could play it in the summer period," said Lantos. "And they have only us to supply a product that will compete with everything else out there."

As a result of a system in which the U.S. networks spend millions to buy products without previous established suppliers with a track record of delivering quality entertainment have a considerable advantage. "We have to deliver a product that is of high quality and has a chance of being a hit," says Lantos. "In the very least, it's not going to be an afterthought."

For that reason, and because of the increasing costs and risks associated with entertainment production, Lantos predicts that companies in the industry will continue to grow larger and to consolidate. They need the broader capital base to produce the high budget productions that are increasingly popular—and to absorb the costs associated with occasional failures. Lantos says those financial realities are one of the reasons he chose to sell Alliance shares to the public.

But not all Canadian entertainment companies agree with Lantos's view of the business. When Sullivan and Trudy Group founded Entertainment Inc. of Toronto in 1979 because Sullivan wanted to make *Ellen* while Trudy produces projects, Grant, his wife, handles distribution and finance. Sullivan has remained in the business for the Amer-



Alliance's Lantos: Moving a little off-center is an advantage today

of *Green Gables* series, the TV version of all Canadian classic, which has been sold to 25 countries around the world. But the company is still heavily owed. "We have enough money to do all the projects we want," said Sullivan. "I couldn't see any need to go public. The business runs on creativity, not cash." In fact, Sullivan sees a danger in growing too large. "If you have to be volume driven," said Grant, "how do you keep the quality?"

Sullivan Entertainment, like almost all of the screen entertainment companies and even lowest, expensive Garth Drabinsky's theatre company, puts a high priority on international

sales. Sullivan says that his projects are never undertaken with an exclusively domestic market in mind. "The Canadian market is not large enough," said Grant. "You have to sell internationally." Unlike Lantos and others, who work as partners with other companies that co-produce productions, Sullivan says that he retains control of his projects. "We're not an absolutely no interference," he said. Lantos, on the other hand, says that most of Alliance's productions are done with partners who have a say in everything from the choice of director and stars to the script. "Virtually all decisions are made collectively," he said.

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"This is not a world where there is a single inspired artist who goes away and comes back with his finished art. The costs and the risks are too high for that."

Despite their different views, Sullivan and Lantos like almost all the senior players in the Canadian entertainment industry, were drawn to it through their fascination with foreign markets. Using government funding was primarily to assist the development of Canadian culture, the industry established a foothold. Now, although government money is still available for "Canadian" projects, most of the entertainment companies say that it merely helps a local specialty project, it is no longer necessary to keep the industry alive. Public funding rarely covers more than a small fraction of the overall budget of any of the eligible major projects now.

It has taken a long time for the industry's commercial position to be recognized. Even after he had completed several successful film projects, Sullivan said "My partner was always asking me when I was going to get a real job."

As a young man fresh out of McGill University in Montreal, Lantos got started in the business as a distributor of exotic films. In 1973, he produced a film adaptation of Stephen Vincent's novel *Le Peau de l'Old Man*, which got mixed reviews and made money. While Lantos says that he still enjoys the directorial and supervisory role, he is now to do more than choose the projects, the director and supervise the first two or three scripts of a new television project.

Alliance does more television production, which is less financially risky, because the cost of producing television programs is usually entirely financed before production begins. But Lantos also produces film. In 1988, he produced a film adaptation of Stephen Vincent's novel *Le Peau de l'Old Man*, which got mixed reviews and made money. While Lantos says that he still enjoys the directorial and supervisory role, he is now to do more than choose the projects, the director and supervise the first two or three scripts of a new television project.

Despite their obvious differences, all Canadian entertainment companies—from film producers to magazine publishers and live theatre companies—share some common ground. For one thing, they all benefit from producing in Canada, where the dollar is rel-

atively low in value, and they will enter international markets for U.S. dollars. Like Canada's natural resource giants, the low dollar gives them a distinct edge against other international competitors.

Another shared characteristic is that, for profit-oriented businessmen, they are all overly modest. In fact, they were eager to put a distinctly Canadian stamp on their products. Montreal-based Pelissier, whose animation series include *Napoli* and *Tales of the Crypt Keeper*, used to hide a hooded sick as each of their animated projects. And like his peers, Pelissier mixes both Canadian and non-Canadian subjects into his production schedule. For instance, Pelissier is now producing two television series for adolescents based on the Hardy Boys and Nancy Drew mystery books. But it is also working on a TV series called *John and the Kid*, based on stories by Saskatchewan writer W. O. Mitchell about growing up on the Prairies.

Even Ed Mirvish, who with his son, David, is best-known for splashy Broadway-style stage productions such as *Man of the Century*, a musical about the Vietnam War, and the Canadian musical *Crash for Now*, says that he is always on the lookout for a Canadian play that will rival the best Broadway productions. "David plans to carry all the world Canadian theatre," said Mirvish. "In the coming years, there will be a great one to come out of Canada."

But as an entrepreneur, Mirvish says that he is cautious about recommending entertainment. Mirvish, whose first business was theatre, a discount department store in Toronto, says that he only got into the business because he bought the Royal Alexandra Theatre when it was about to be torn down 32 years ago. And he bought it, he says, only because he thought it was an undervalued real estate investment. "The theatre is a beautiful, unreplicable business," said Mirvish. "To never give up my day job. When you consider the time and energy you put into it, it's a pretty poor investment."

Despite his reservations, Mirvish has made money in the theatre and expanded his investment, in Toronto's Harbourfront Old Vic Theatre in 1983 and in 1992 he built the new Princess of Wales theatre in Toronto that he claims that entertainment is still a hot business, governed by rules that are completely different than his retail store, which sells necessities. "In the store, if I want to make something all I have to do is drop the price by 30 cents and by the end of the day it's gone," Mirvish said. "In the theatre, if a show isn't well-received you can't give the tickets away. If it's a good show, the first weeks is sell the highest-priced seats." But while Mirvish says that his discount store is a better money-maker than his theatre, he loves the entertainment business best. "It's high risk," he said. "It's like going to the river when you see it's a mudslide world." And as some companies prove that they can do this, probably, the story of Canada's entertainment industry may be destined for a happy ending. □

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Business NOTES



TOGETHER AGAIN: The finance ministers and top central bankers of the Group of Seven, leading industrial countries met in Toronto last week for meetings chaired by Finance Minister Paul Martin (far left). They called on Mexico to hold firmly to its new economic program, following the devaluation of the peso in December that wrecked havoc with international financial markets. And they insisted that Brazil make further progress towards transforming the country into a market economy—the satisfaction of the International Monetary Fund—before arranging further restructuring of its debt.

The chill factor

A bout in U.S. interest rates last week—the seventh increase over the past year—resulted across North America and Europe. The Federal Reserve Board hiked the discount interest rate by half a percentage point to 5.25 per cent from 4.75 per cent. U.S. interest rates are now at the highest level since 1981. But a rise in U.S. unemployment statistics at week's end sent stock and bond prices soaring, as investors predicted a slowing of interest rate increases in the U.S. economy alone.

Earlier, the Bank of Canada allowed interest rates to drop by 15 basis points to 8.25 per cent, while the Bank of England followed the U.S. lead and raised interest rates by a half point to 6.75 per cent from 6.25 per cent.

All the same time, alternative comparisons of higher current rates in one of the key interest rates for the second session in the end of 1992.

sales. Sales reported by General Motors of Canada Ltd. were down by 8.3 per cent in January, while Chrysler Canada Ltd. reported a 13.3 per cent decline.

Bramalea bailout

A U.S. real estate group, Realty Investors, will pour \$240 million into debt avowed Bramalea Ltd. of Toronto if lenders and shareholders agree to certain terms. Bramalea's bankers must commit \$200 million of debt into equity shares. Other lenders, who are owed about \$3.5 billion, must extend the term of about \$750 million in loans due in 1994 by another five years.

Financial president Martin Marshall said that the investor group would be a major shareholder but have "substantial" loss. This is a 31 per cent stake if all the debt was converted to equity. Bramalea has been negotiating with Realty Investors since last June.

A WIRELESS WORLD

Northern Telecom Ltd. of Mississauga, Ont., concluded a 10-year, \$240-million contract to supply 60 Communications of Dallas with digital wireless network equipment and services. Industry analysts expect wireless technology to grow anywhere from 10 to 30 per cent annually over the next few years. About 10 per cent of World's record 1994 revenues of \$12 billion came from its wireless division.

LOG OFF

Glozier Food Products Ltd. of Vancouver is spending an additional \$30 million on its fight to sue a takeover by Carlin Corp. Glozier sweetened its buyback by offering to repurchase up to eight million of its shares at \$22 each. Directors and senior officers, who together own about 12 per cent of the shares, will not tender their shares under the offer. The buyback is contingent on the failure of Carlin's latest offer, which the Glozier board formerly rejected last week. Carlin itself is \$722-million off for all 36-million outstanding shares and beats Glozier's buyback.

ROGERS SELLS U.S. MAGAZINES

Rogers Communications Inc. of Toronto sold the U.S. trade magazine publishing operations formerly owned by its sister, Hearst Ltd. for \$111.4 million. Most of the assets were sold to Interco Publishing, a subsidiary of K-K Communications, which is controlled by Kohlberg Kravis Roberts and Co., a New York-based leveraged buyout specialist. The proceeds from the sale will be used to repay company debt. Rogers has now paid off the \$2-billion leveraged loan—over \$122 million in accrued interest—used to finance its \$371-million takeover of Mexican hotel chain Marlin.

A CRUDE REMINDER

The new president of Gulf Canada Resources Ltd. of Calgary changed seven vice-presidents from the company payroll in his first day on the job. P. J. Ryan, who is also chairman of Gulf's new 25 per cent shareholder, French Energy Advisors Inc. of Houston, also announced plans to move staff and cut up to \$20 million from Gulf's annual operating budget of \$360 million.

WOLSON CROSS-CHICK

Canada's largest brewer, Molson Breweries, took a \$5.2-billion hit in the third quarter of 1992 because of the Montreal Hockey League lockout. The brewing division of Molson Coors Ltd. of Montreal, which earned \$20.5 million for the period ending Jan. 1, lost money from its MHL broadcasts and sponsorships.

THE NATION'S BUSINESS



Going capitalist on the Canbuck

BY PETER C. NEWMAN

There's a forgotten Caribbean island called Cuba which despite the fans about Mexico and Chile, is going through its own dramatic revolution—and Canada has emerged as one of the key catalysts.

Until 1989, the island's relationship was an economic dependency of the Soviet Union, which took all but 25 per cent of its exports, and subsidized its government. When the Soviet empire collapsed, its former republics could not afford to maintain any outposts, so Cuba was cut off. Half a decade later, Cuba is successfully making a comeback, with Canadians the biggest trading partner.

The recovery is far from complete, and Cuba's hardships over the last of their nation have been considerable. Indeed, John A. Cuba specialist who teaches Latin American Studies at Dalhousie University in Halifax, estimates that between 1989 and 1990, the island nation's economy shrank by 36 per cent.

Solid evidence of how bad things have become is laid out in the 1991 report in Havana and the fact that 30,000 others waited in the shanties in the past to get away. But this hasn't stopped the re-emergence of Cuban society from a Communist to something of a capitalist state. One advantage of operating in Cuba even in Communist days remains: there is no corporate tax and very little direct or indirect personal taxation.

Moreover, it looks as though the economic train may have broken out in the past few months. According to the respected U.S. Economic Commission on Latin America, the island's industry grew 17 per cent last year; there were \$148 million worth of exports of Cuban pharmaceutical and biotechnology products, and the fiscal deficit—\$6 billion in 1989—was reduced to \$1.4 billion in 1990.

Guided by a reluctant 65-year old Fidel Castro (who takes great pride in being a socialist until U.S. presidents, each of whom was pledged to eradicate him), Cuba has set

'They're trying to develop a system with few parallels. Canada, which is really a social democracy, comes closest.'

a brave new economic course. Although Castro will preach that capitalism is "imperialist, oligarchic and alienating," his government has turned its previous grandiose plans specific down. Cuban currency is convertible now; Cubans in 1990 professionals can work on their own for profit, most state firms have become co-operatives; farmers' markets have been reopened; prices of many consumer items (including the two most important—rum and gasoline) are now set by market forces; real estate can be purchased by foreigners and most important of all, private ventures with outside investors are encouraged.

The influx of foreign investment is beginning to revitalize every branch of the Cuban economy, including the otherwise sagging sugar plantations. According to Nik, 160 such partnerships with firms in 38 countries have already been formed. 400 foreign firms have opened offices in Cuba, and dozens of American ventures are in the planning stages, making for the United States to lift its 40-year embargo.

The most interesting of these new joint ventures is the 50-50 partnership agreement recently signed between Sherwin Inc. of Port Saskatchewan, Alta., and the Cuban govern-

ment to develop a huge nickel and cobalt deposit at Mas Boy, in eastern Cuba. The partnership plans to spend \$150 million developing the Mas area in the next five years; the venture will employ 2,000 people. The Mas area has an estimated 50 years' worth of rich ore reserves. They will be refined at the Alberts plant, which is now 50 per cent Cuban-owned. (The shipping cost is 20 cents a pound through Halifax or Montreal and then west and north by train.) Sherwin, with substantial petroleum reserves in Canada, Spain, Italy, Indonesia, Pakistan and the North Sea, has also been drilling for oil in the Bay of Cardenas, as Cuba's western Matanzas province; and, in late 1993, capped its first successful well. Sherwin suffered a severe loss in 1993, but losses in the recovery. His work will show a return to solid profitability in 1994.

If there's one Canadian who most accurately represents the Cuban connection, it's Ian Sherwin, 51, CEO of Sherwin, who previously spent three years as head of Harbours, Peter Mac's holding company, and four years as president of Sherwin Lynch Canada before last. "The Cubans are really people to do business with," he told me. "For one thing, they're totally uncorruptible. We do business all over the world, but there's no place we're better to negotiate deals than Havana. They're trying to develop a system that has few parallels. Perhaps Canada, which is really a social democracy, comes closest. The challenge will be if they can maintain their current status of social equity—they have a uniform but very low standard of living—while moving to a price and income economy."

Delaney has become friends with Castro, who has taken a special, personal interest in the Sherwin project. But he says that "the people who run the country day-to-day are of my generation—they grew up in the 30s and 40s, and are pretty concerned about Cuba, instead of being Communist, socialist or anything else, and they have a sense of social justice, both about life and about their own situation."

Delaney's success is partially based on the fact that Cuba is hardly disposed towards Canada. Pierre Trudeau was the first NATO leader to visit the island (in 1970), and in June of last year, Canadian Prime Minister Mulroney visited Cuba. An estimated 140,000 Canadian tourists a year visit Cuban beaches and 35 new Canadian joint ventures are either established or in various stages of negotiations. Premier John Savage took 25 News Scotia businessmen to the island in January, 1994, and arranged for the Canadian government goods now leave Haiti every two days. What's more, McCain food products are used throughout the hospitality industry and the living fabric of New Brunswick recently opened a large office there. In fact, Labour really needs two million cases of beer on the Canadian market.

Pretty soon, they may even take down those billboards that dot the island, proclaiming in revolutionary style: "Sometime a month 'socialism or death' doesn't quite do it's a top-tier commercial."



Quaid with co-star Martha Greeney in a scene from *Hero*

FREEZING ON THE SET

Few American actor Randy Quaid, filming the made-for-television movie *Legend of the North* (aired in the fall), is a challenge. Legend, a Canadian-French co-production being broadcast on two-The Movie Network (his network), features Quaid as gold hunter Whip Carver in the Yukon in the winter of 1896. But even though filming took place a lot farther south—near the Mississippi—Quaid's last winter was still rigorous. "It's a lot more difficult dealing in snow than it looks," explains Quaid. Despite the physical demands, Quaid says that he "loved" playing the part of Whip, based on a character from the Jack London novel *Seneca*. Bellini who coaxes from a greedy outlaw into the film's hero. Quaid, who appears regularly on stage and in movies and who won an Emmy nomination for his portrayal of Lyndon Johnson in the miniseries *LBJ: The Early Years*, adds that London is one of his favorite authors. "I have read a lot of his books and his characters are often losers, men of simple purpose," says the husky Texan. "I was able to bring a lot of empathy to the part." The actor's mother lode.

HOMEGROWN PLATINUM

Five Days in July is turning into a whole slew of great things in 1995 for Blue Rodeo. Five Days is the Toronto-based band's fifth album, and their first one to receive wide radio play in the United States, where it is winning rave reviews. The New York Times enthused "that this is an album to return to again and again," while USA Today declared that the album is "among the year's highly recommended picks." Jim Cuddy, who shares Blue Rodeo's singing and songwriting spotlight with Greg Keelor, acknowledges that the U.S. reaction is "pretty exciting." But, Cuddy adds, that local members are even more pleased that they are successful at home in Canada. "You look at the charts now, both in Canada and internationally, and we're holding our own," he says. Indeed, *Five Days in July* has gone double platinum in Canada, selling 200,000 copies. And that, says Cuddy, is clear evidence that the days of Canadiana waiting to see how the rest of the world reacts to domestic acts is long gone. "We're confident that Canada can do for our own music," he says. The proof isn't always greater on the other side of the border.



Blue Rodeo: 'we're holding our own'

THE UNKINDEST CUT

When Glanz, the Princess of Wales, joined into New York City for a fashion gala last week, she turned heads with her new styled-back hairstyle. But back in Britain, reaction was far less favorable. One fashion commentator said the new do made her nose seem more prominent, while another declared she looked like "a victim." Even a royal can have a bad hair day.



OF AWARDS AND JELLY

When award-winning writer Mary Jensen Williamson is not hard at work on her fourth romantic mystery novel, she is busy serving coffee and sandwiches in a Port Ellen, Dal, deer Marissa (the third book by the 29-year-old Williamson, who works under the pen name Suzanne Kowalski, was published last fall in Britain where it won the prestigious Catherine Cookson Fiction Prize, named in honor of the British writer. Now released in Canada, Marissa recounts the story of a woman



Williamson: a writer who is not getting her day job anytime soon

who buys a house in Williams, Maryland, and becomes caught up in the 17th century history of it. But even though the literary prize was worth \$25,000 and included a publishing contract complete with an advance and royalties, Williamson says that she does not plan on leaving behind the only crowd of her job is the restaurant anytime soon. "Writing is a very grounding experience," she explains. "There you are one day accepting an award and the next trying to get jelly off the carpet."

Edited by BARBARA WICKING

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EDUCATION

verities show some of the blame for Carleton's current woes—by failing to generate more space in their first-year classes for local students with low high-school grades. “The province is collectively using Carleton to get rid of its public conscience,” claims Wright. “Other universities essentially say, ‘Look, poor students can get in somewhere—Carleton.’ And Carleton has somewhat bought into that.” But others claim that it is up to Carleton to get its own house in order. “The reality is that the universities compete for the best students,” says Ron Siverter, director of operations at the application centre in Guelph. “Short of an introduction of government rules that would force many universities to admit weak students over strong ones, that’s not going to change.”

Indeed, O’Neil and others say that one of the first things on Carleton’s agenda must be to launch “a full-scale reevaluation” of the whole notion of accessibility—a debate that has already unfolded on many other campuses. At the University of Guelph, for one, this applies with grades being the cutoff to select personal portfolios outlining such as extracurricular activities as student council posts and activities. At York, students with marks below the cutoff are invited, in the words of vice-president of institutional affairs Sheila Levy, “to make the case for being a special case,” before committees that judge the potential for low achievers to become top bloomers—and that track the success rate of those subsequently admitted. Siverter says that he is considering implementing a similar system. As well, he adds, two psychology professors at Carleton are in the preliminary stages of developing a test to identify students with academic skills greater than those reflected in their high school grades.

In the meantime, however, Fargher cautions that his first priority is to reverse Carleton’s image in the eyes of students who have already proven that they are capable of success. And he acknowledges that the need to get on with that “repositioning” at the university, as he describes it, is especially critical in the face of Human Resources Minister Lloyd Austin’s recent proposal to slash a large portion of government funding from university grants to student loans—a move that would drastically increase tuition, and presumably mean that more students drop out or enroll in a for-profit degree. “This is not a great time to have to be experimenting,” says Fargher, “but it is no time not to experiment, either.” Wright, for one, says he is hesitant to see the debate become so open—although his optimism is privately guarded. “As a university, we are dealing with the lowest end students, and it appears that we are drastically depleted at the high end,” says Wright. “And right now, there are more questions than answers about where we should go from here.”

VICTOR OWEK

SPORTS

The squeeze play

Clinton's verdict: 'It's time to play ball'

Great punt Cecil Hedges, the 250 lb first baseman for the Detroit Tigers, is a baseball slugger for good reason. Hitting deep into the outfield gives him more time to lumber the 90 feet to first base. But last week in Washington, re-splashed in a series of court cases (fraud, sexual assault, Philadelphia prodigal gloom), Capitol Hill corridors as long as two straightened legs around the bases. Betchalking members of Congress on the eve of new negotiations between players and owners, Fielder said fellow lobbyists tried to reach a deal in a few hours as he did not in his 28 seasons on the field during last year's abbreviated season. The purpose of the long walk, to carry support in case the players decided to scrap the dispute over the owners' cap on player pay rates.

The prospect of an imposed settlement might both sides in a squeeze play as their representatives convened on Feb. 1 at Washington's Mayflower Hotel. President Bill Clinton loved the Mayflower meeting to a declaration six days earlier. With spring training in Florida and Arizona scheduled to start in mid-February, his words after the strike began on Aug. 12, Clinton called for a substantial program towards a settlement by Feb. 6. Otherwise, he would ask labor mediator Bill Murray to propose a solution. At week's end after Clinton publicly threatened to take a baseball bat to both sides, the owners abandoned the salary cap. Wide differences remained over a scheme whereby the players would help finance a system to equalize revenue among rich and poor clubs, but both sides worked through the weekend to resolve their dispute. Meanwhile, several members of Congress prepared legislation to endorse a settlement. Said Labor Secretary Robert Reich: “The players and owners are under a great deal of pressure.”

Clinton had kept up the pressure throughout the week, from the time that Fielder and fellow players lobbied Congress to oppose the salary cap and an owners' plan to hire “replacement players.” At a stop in the office of Detroit Democrat John Conyers, the Fielder group received an appeal relayed from the presidential plane. At Force One, Clinton, re-

peated Conyers, “says he’s watching this closely and trying to determine if we can come together without him using some of his power.” The President had cited the stalemate’s threat to “the livelihoods of tens of thousands of workers whose jobs depend on baseball.” Fielder echoed that point in dagger terms. “A lot more people besides us are going to be affected by this.”



Would he pay tries out: a threat of escalation

ing big history because we’re not working.” Privately agitated in Congress, and the media, approval to force the players the rest of baseball’s 1992 exemption from antitrust law, which permits competitive labor practices. But as a sports pundit concluded last in January by The Washington Post and ABC. News found that a substantial majority of 1,020 high school respondents said the players are overpaid (78 per cent), approved salary caps (71 per cent), opposed an enforced settlement by Clinton and Congress (76 per cent) and favored the use of “replacement players”

in the absence of a settlement (69 per cent). On trading sides, poll respondents voted strongly with the owners by a margin of 48 per cent to 27 per cent for the players. The remaining 25 per cent blamed both sides, neither side or gave no opinion.

Despite public perceptions, the 700-odd voters showed overwhelming solidarity, but there were exceptions among the 38 owners. Baltimore Orioles owner Peter Angelos fairly refused to go along with the team at taking replacement players. “A disaster in the name, to the tradition of baseball and the history of baseball,” in Canada, where Montreal Expos president Claude Brochu added finally with the majority game plan, Toronto’s Blue Jays decided to use replacement players if necessary—but only replacement players. “I’m going to play,” says the Blue Jays’ spring training base in Quana, Fla. And the Jays’ manager manager Cito Gaston and the rest of the coaches from working with “rookie” players. Some U.S. municipal officials in major-league cities were reported to be preparing for on-site police bylaws similar to an Ontario law that bans for the use of replacement workers in a strike. Also firing the owners in the absence of a settlement was potential loss of revenue if broadcasters backed away from carrying “replacement” games, a course already decided by the Blue Jays radio outlet, The Fan.

Clinton said that the dispute in “deprecating the sports of millions of baseball fans—including me.” But, perhaps unwittingly, the President invoked another sport by asking Feb. 6 as a deadline for first progress towards the return of legitimate baseball. That is the birth date, 150 years ago, of the late Babe Ruth, the game’s all-time hero, a man celebrated in his Baltimore hometown and elsewhere as a player who played in the national game of baseball and had little patience with obstructive mechanics and managers.

In recollections reported in the Baltimore Sun, Bill Werber, 86, a Yankee teammate of Ruth in the early 1930s, remembers the Salina of Swat’s generosity and his advice about playing the game. Once, Werber said, after Ruth had batted one of his 715 major-league homers, someone at the dugout asked him about the pinch he had gone into the right field bleachers. Ruth’s response: “This trouble with you kids is you think too much. You look for a foul, a curve, a change of pace. When I go to throw, I don’t think about hitting.” Stunned like that echoed in Clinton’s proposal to force through the labor deal, he knew, he declared, “We have to play ball.” That seemed a blithering grasp at week’s end that has when Clinton uttered his appeal.

CAVE ROLLINS in Washington

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Sex offenders: Is there a cure?

There are many treatments—but no consensus on whether they work

BY PAUL KAHILA

He has the soft look of an average man, a person accustomed for his long to the protection and supervision of a parental authority. Yet there is nothing innocent about Steve, who agreed to talk to *Maclean's* on condition that his real name not be used. The middle-aged man, who wears a baseball cap on which sweat and sunburn have combined to form a crust of grime, once killed a 13-year-old girl in a sex attack by abducting her from with a pickaxe. Later, he raped a 10-year-old and strangled her to death. Before police finally arrested him, he had managed to convince a lot of other sex offenders, one of which ended in a third murder. Fused and guilty by the string of crimes by means of insanity, he is now serving two decades of incarceration at a maximum security psychiatric prison. In spite of having received the best treatments available in the penal system for almost all of his adult life, Steve is not much closer to rehabilitation—or release—than he was when he last changed the outside world in 1970. "I can't

say enough good things about this place," he says, "but I still have problems."

In fact, Steve's lack of progress is typical for a criminal of his class. Two centuries after the birth of modern psychiatry, there are many types of treatment for sex offenders but no consensus on how well—or even whether—day work. "We don't seem to be making much of an impact on this," confesses Larry Arnold, a forensic psychiatrist at the Oak Ridge facility for the criminally insane in Pennsylvania. One that stark reality underlies the heated public and political debate over the sentencing and early release of sex offenders—and rises as alarm each time a rapist or child molester walks back into a community. One of the most frequent recent examples was over the case of Wayne Bullock, a pedophile with 22 convictions for sex offences over 32 years who was released from Kingston Penitentiary late last year. Reporters and protesters besieged the Penitentiary, and, before being released, the 50-year-old Bullock stated before his arrest in Toronto, and then disappeared from public view.

According to such statistics and pas-

sages, Justice Minister Allan Rock and Solicitor General Herb Gray will spend an amount this spring to trial a new law that would extend the detention of violent offenders, including sex offenders, if tests showed that an inmate was not rehabilitated at the end of his or her jail sentence. Gray is also seeking measures to improve information sharing among police forces so that local authorities can track violent offenders, and predators like Bullock, with greater accuracy once they are released.

Advocates of putting more resources into the treatment of sex offenders, meanwhile, argue that keeping such criminals in prison for longer terms will only enable costs. The expense to taxpayers of housing a sexual rapist, for example, in a maximum security prison for one year is now more than \$70,000, compared with the annual cost of \$3,400 to supervise him while on parole. Under current law, a sex offender can be detained beyond a jail sentence if a psychiatrist issues a certificate saying that the inmate suffers from a mental disorder that would likely result in serious injury to others. The

'Steve' at a maximum security prison: 'I can't say enough good things about this place, but I still have problems'

inmate in this increasingly crowded facility such as the one where Steve resides, at an even greater cost to the public, about \$245,000 a year. "Lacking there up to us is a solution because we could be using that money for other health care costs," declares Robert Barbare, head of the forensic division at Toronto's Clarke Institute of Psychiatry and an expert in the treatment of sex offenders.

But in terms of treatment, Canada already spends a considerable sum—\$2.1 billion annually—on a variety of programs for sex offenders. About 5,000 of the 22,000 inmates in the federal corrections system have sex crimes on their record. According to Barbare, these offenders fall roughly into two equal groups: rapists and child molesters. Federal officials proudly point to government statistics showing that only one per cent of sex offenders reoffend three years after release from

prison. But researchers who study sex offenders say that the recidivism rate jumps to about 30 per cent when the criminals are tracked over a decade.

Optimists such as Barbare say that while treatment is unlikely to fully remove all sex offenders, it can at least lower the recidivism rate. Barbare, who is also a professor of psychiatry at the University of Toronto, oversees a treatment program for sex offenders at Wakefield Penitentiary in Brighton, Ont., where about half of the 620 inmates have committed sex crimes. He offers "cognitive-behavioural therapy" to groups of a dozen or so inmates at a time for three hours each week over the course. "We try to change the attitudes and beliefs which justify sexual offences—the victims are to blame," or children have sexual motivations to seek out adults for sex," says Barbare. "Others, explaining how the victim is affected by crimes in terms of these people," he also tries to teach crisis-prevention therapy, or how to avoid situations that have led to trouble in the past. For a predator with a history of stalking victims in a car at night, that could mean something as simple as stopping his car from driving alone to the store after dinner to pick up wife.

In a journal article in the *Canadian Psychology Review* in 1991, Barbare and four colleagues wrote that such treatment, combined with drug therapy, was effective with child molesters. But that conclusion was attacked two years later in the *Journal of Interpersonal Violence* by two professors at Queen's University, Vernon Quinsey and Martin Lalumière, and a pair of researchers at Pennsylvania's Oak Ridge facility, Marjorie Stone and Grant Harris. The article said that studies on reducing recidivism rates of sex offenders were contradictory. "Nobody that I know of has any data suggesting rapists' recidivism can be affected," says Harris. "Treatment may work for child molesters, but we can't prove it. That isn't to say that we should stop it and stop trying."

A treatment that does have concrete results is chemical castration, which about 30 per cent of sex offenders undergo in varying degrees. It involves taking a class of drugs called anti-androgens by tablet or injection. It reduces the level of the male hormone testosterone, but the side-effects are drastic: reduced bone density, loss of hair, enlarged phallic testicles and weight gain. The drug impact, though, as a reduction in a man's sex drive and sexual fantasies—and even the elimination of erections. Sometimes, people are made comfortable as an incentive concerning to rape and aggression. Says Barbare, "The fact that these men will not be able to have sex when staying in jail and all the medication or being released on the medication. For some offenders, you want them on it."

Steve's facility there is a testament to the 30 or 20 to be given as he passed when he volunteered to be treated, and take the medicine and undergo the side-effects. He says because we get our fantasies and fantasies

we don't let it," says Steve. "How much of that was made out of my mind was my own willpower, who is to say? I'm still not masturbating and fantasizing, even though I've come off it." Meanwhile, the sexual offender has developed considerable skills as a craftsman over the years in his facility's wood shop, and he says it has played an important part in his personal progress. Steve makes ornate wooden toys and furniture, which he donates to local charities for auction at fund-raising events. He shows off a wall of photos of photographs and news clippings of his creations, as well as letters all thanks from women in prison.

Steve has also had his share of religious conversion therapy. But in spite of outward signs of progress, his inmates say that he has essentially not changed much during his 19 years of incarceration. According to his most recent diagnosis, Steve suffers from two psychiatric disorders and it also classified as a sexual sadist and a psychopath.

The latter designation is all-important, says University of British Columbia psychologist Robert Hare, author of the critically acclaimed book *Without Conscience: The Dangerous World of the Psychopaths Among Us*. According to Hare, about half of all violent sexual rapists are psychopaths and it is essential to identify them within a prison population because their recidivism rate is three times that of non-psychopaths. Hare says that many treatment programs can be offered in Canadian prisons including counselling, that tries to foster empathy for the victim, as well as some types of cognitive-behavioural therapy, are not only waste but could be harmful. "Psychopaths love tricky little programs because they can create the appropriate responses and can a therapist who wants a report that they've played with flying colors," says Hare. "It gives a false sense of security that they've been rehabilitated."

Others charging and convincing a psychopaths is primarily concerned with self-interest, and it's always a warning sign of empathy over the way he or she is in jail. Some may express their antipathy towards sex offenders but as unethical social predators or combat-hungry soldiers. In 1992, the federal government commissioned them to conduct a study on the treatment of sex offenders. The study, which would include psychopaths, but officials in the corrections department have so far not implemented the professor's 50-page report. "You're not going to change a psychopath's attitude because he is fixed," Hare declares. "We can only assist in their self-interest and make them aware of the consequences of events which leads to being locked up."

"Whether it is the lack of action or a lack of solution, the treatment and sentencing of dangerous sex offenders is an issue that will remain high on the political agenda. As for Steve, who is still as poised to be reconvicted as when he was first incarcerated, he is still before he goes the outside world again. □

Denise Brown. He picked her up and threw her against the wall



A victory for choice

A P.E.I. judge opens the door to abortion

For pro-life advocates it had been one of the last straws—and for those on the other side of the battle, one that would open a new issue: a polling crisis. In 1981, Prince Edward Island's Liberal government declared that it would only fund abortions performed in hospitals, and only those if a board of doctors and community representatives deemed the operation medically necessary. But because doctors on the island all refused to perform abortions, women seeking the procedure had to travel out of the province. If those abortions were performed in hospitals, the P.E.I. government would pay the doctors' fees. But if they were done at private clinics like the ones run by Dr. Henry Morgentaler in some provinces, the patients had to pay the full amount. In 1983, Morgentaler launched a lawsuit against the policy, arguing that it violated the principle of equal access to health services. Last week, P.E.I. Supreme Court Justice David Jackson ruled with Morgentaler and declared the policy illegal.

In his 50-page decision, Jackson said that the provincial policy placed an undue economic burden on island women who were seeking abortions. He also suggested that it was driven by moral rather than medical or fiscal imperatives. "It is not apparently based on a health consideration," he wrote. "It does not appear directed towards any legitimate objective of controlling cost." Morgentaler, who has won several court challenges in Nova Scotia, Newfoundland, New Brunswick and Manitoba, hailed the ruling. He said he had launched the court case as a way to "highlight the fact that Prince Edward Island is the only province in Canada where women have absolutely no recourse. They have to go outside the province. I wanted to apply enough pressure so the province would have to fund those services completely."

Within hours of the Supreme Court ruling, P.E.I. Health Minister Walter McDermott instructed government lawyers to launch a appeal. "We happen to thank the policy we had was a pretty good one," said McDermott. "It reflects the wishes of the public regarding the way in which taxpayers' dollars are being spent." But even if that is so, the courts will likely leave the door open.

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No more Mr. Nice Guy

Prosecutors strip away O.J. Simpson's image

He is hair is dark, but she looks really like her slant black eyes. Last week, 37-year-old Denise Brown told a Los Angeles jury about an incident that she said occurred at a Buffalo, N.Y., restaurant as 1980 Olympic triathlete and surrounded by admirers, football star O.J. Simpson—according to Denise—suddenly grabbed Nicole's chest and said, "This is where babies come from and that is mine." Nicole, Denise said, "just went a little like it was nothing—as if she was used to that treatment." Denise also recalled another night when, at O.J.'s and Nicole's Los Angeles home, she told Simpson that he took Nicole for granted. "He went nuts," Denise said, "waking between acts." He picked her up and threw her against the wall. He picked her up and threw her out of the house."

Dismissing this story, Nicole Brown Simpson's lawyer asked the first week of testimony in the much-hyped trial of the Century on a dramatic note—a week in which the 12 jurors saw Simpson's good guy image torn to shreds. From their very first witness—611 reporter Sherry Gilbert—prosecutors paint O.J. Simpson as a violent man who had beaten his wife and publicly humiliated her. Jones testified to a 211 tape from Jan. 5, 1989, in which Nicole screamed in terror while trying to get away from Simpson, the latter pleaded no contest to assault. They heard testimony from the police officer who went to Simpson's home that night, and found Nicole beaten, and Simpson comatose. They were shown grainy pictures of her out and beaten, then, and before Simpson wrote afterwards in

which he apologized and promised it would never happen again. Assistant district attorney Christopher Darden told the court that by keeping the letters private and newspaper clippings about the 1980 beating as a safety deposit box, Nicole had left a trail for investigators to follow. "Nicole Brown," Darden argued, "in the time of age 20, in 1980, believed something bad was going to happen to her, and that it would happen in the hands of O.J. Simpson." And prosecutors reinforced the point by playing the tapes from the other 911 calls, from October 1980, during which, at one Simpson, then separated from Nicole, allegedly kicked down the screen door to her condominium.

The jury also heard from Ronald Shipp, a retired Los Angeles police officer who was a friend of Simpson and a regular visitor to his first-floor estate. But Shipp told the court that on a conversation only a day after Nicole and her friend, Ronald Goldman, were brutally murdered, Simpson had said to him that he had had "some dreams of killing her." During a scathing cross-examination, Shipp acknowledged that he had once had a drinking problem, and that he had used his friendship with Simpson to impress fellow officers. But about a month that he occasionally checked his license plate numbers in the police computer for Simpson—and thus broke police department regulations—Shipp said simply: "I did not miss anything that I did for O.J., because I adored him." By week's end, Simpson was looking like anything but an idiot.

JAMES DEANON with correspondence reports

ting a pattern that would recur throughout Fraser's career. The show went ahead, and it was a hit.

His next play, *Wolley*, about a teenage werewolf, starred a young Nicole Beresin in a 1988 production at Toronto's Theatre Passe Muraille. Fraser unleashed more monsters in *Chameleon Lane* (1992) and *Robbers of the Bells* (1993). Then, with *Undiscovered African Women*, a sexual drama grounded in his own experience, his career took off. But once again, the play's launch was almost scuttled—when its original director quit six days one week before the 1990 Calgary premiere. "I'm sure the theatre, if it didn't daunt a way, would have killed it," says Fraser.

Fraser explains today the relevance of the arts establishment, especially in theatre centres. "It's easy to be an out-homosexual in New York or L.A. or Montreal," he says. "But you end up appealing to a special interest group. Being in Edmonton and having to come up against that conservatism, homophobic thing is good for me. People react." By opening *Four Super Men* in Chinatown, the city that got Robert Mapplethorpe's homosexual photographs an initial, he was stepping life. The theatre tried to cancel

A triangle with a twist

FOUR SUPER MEN

By David Fraser

Directed by Derek Goldby

It is not exactly a sequel. But David Fraser's latest play bears a marked resemblance to his breakthrough work, *Undiscovered African Women* and *The Nature of Love* (1990). It is another sex story with a tragic undertone. Once again, his protagonist is a gay writer named David with a caustic sense of humor who is surrounded by characters more confused than himself. But unlike the last ad work actor in *Women*, *Four Super Men*'s David becomes a writer by choice, not necessity. He is a 35-year painter, an artist looking for a

The other two characters are desperate lovers. Kyla (Joanne Cornsack), an exiled young columnist with the *Calgary Herald*, searches for a cure through the sexual ads. She is a publicist. Lou Lane (who will never get her Supermen) Shannon (Chris Petersen) is an HIV-positive, transsexual who needs to get a sex change before his body gives out. They are both, in a sense, failed writers.

In fact, all the characters are entire individuals, centered by circumstance and stereotype—except David. Compellingly played by Skinner, who has a towering physique and a shaved head, David dominates the others with both his physical and moral superiority. They become led by his disillusioned wit. "How could I ever have dreamed in someone as shallow as you?" he tells Matt.

But although David seems to speak with the playwright's own voice, the play is not as dour as it might seem. Strong performance keep the other characters credible, and Fraser's eloquent script maintains the dramatic balance. The epigrammatic dialogue crackles at a six-foot pace, accompanied with one-line retorts—"I don't think going gay is a natural state" to "How long is it going to take before our generation legitimizes dope?"

For all its provocative content, Fraser's caustic style is surprising by conventional. And it works. *Four Super Men* is supremely entertaining. The scenes are infused with a caustic rhythm. Derek Goldby's direction is concise and crisp. The set is really minimalist—a piece of restaurant in one corner, a piece of apartment in another, a bar against and a bed in the middle. On a white building, painted like a comic book, captions are projected to spell out the character's inner feelings. They are matched well to the music.

And the sex? The play has lots of it—and a lot of audacity. The actors are attractive, and seeing them get naked is moments of anatomy is refreshingly theatrical. But male frontal nudity is rarely without eroticism. In scenes of simulated sexual, it is David's supposed disability where the evidence points so vividly to the contrary. Still, *Four Super Men* offers an exhilarating sense of being bent broken. And by the end of the piece, sex is depicted by an emotional drama that moves on a considerable, not even the Man of Steel.

By D.J.



Scene from *Four Super Men*. Fraser is seated to Matt, who is seated by David.

the play, and on opening night the police vice squad watched from the front row.

The *Four Super Men* world is what attracted Disney's attention. And the idea of Fraser and McKay Mason under the same roof is not as strange as it seems, he says. "They were the first people to go, 'Oh, this guy's subject matter may not work for us, but we like his writing.' A lot of people think that Disney and Thompson are running the plot, but there are a lot of very canny business people there, and some of the most famous people I've met in L.A." Before scripting *Beauty*, Fraser spelled out his bottom line to the producers. "I said, 'You want me to write a film about the art world, the fashion industry and the movie world, and you don't want any homosexual characters in it?' And they said, 'Oh yes, how gay characters—whatever you like, and I did.'"

But Fraser has an unshakable agenda. He wants to humanize homosexuality for a mass audience. He wants to direct his own movies. He wants to make serious money. But, despite the lure of Hollywood, he is not ready to give up writing plays. His next stage work, he says, will be about his childhood abuse. "It's going to be the hardest thing I've ever written. I just don't know if I am emotionally equipped to write it. But that's the point. That it is so hard to do, it should be to be so close to comic in the others, and ultimately for more bleak." Sounds like a job for Super Men. □



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Pride of the Arctic

BY BRIAN BERGMAN

The night can be found in almost every small town in the Canadian Arctic. Perched on the banks, lined at the call low horizon, giant satellite dishes bring into the homes of the Inuit such standard southern fare as soap operas, sit-coms and the nightly newscasts. Susa Aglukark grew up in one such community, Arviat, on the northwest shore of Hudson Bay, and readily recalls being inundated with images of a lifestyle far removed from her own. Now, the 26-year-old singer is experiencing life on the other side of the television screen, flying across the country on a whirlwind promotional tour and shooting music videos for her new album, *This Child*. But she still remembers the isolation she felt during her teenage years, which is one reason why her first major concert tour scheduled for this spring will be in the Arctic. "I know what it's like to watch TV and want to be there," says Aglukark. "I know what it's like not to be part of the rest of the world."

Long before Aglukark signed a major recording contract with East Music Canada in March, 1993, northwesterners considered her a star. They had snapped up copies of two independently produced albums, *Dresses for Now* and *Arctic Rose*, and lit up the jukeboxes at CFE radio stations across the North with surging eagerness. The agent was obvious, starting with her springwater-clear voice—often likened to that of Anne Murray—the fact that she frequently sang in her native Inuktitut, and her fresh-faced beauty. But there was something else at work as well: many of the songs that Aglukark has written deal with the turmoil of the Inuit as learners at the social ills of the North, including child sexual abuse and sexism. "The important thing to people up here," says Northwest Territories Premier Nolin Cormey, a friend of Aglukark's, is a fellow Inuit, "is that the words of her songs fit very well with what people feel and what they are experiencing."

Small wonder. The pain—and the hope—in Aglukark's songs spring from her own life. At the age of 8, she was sexually abused by a family friend but she did not



Aglukark: "I'm ready to take on the world."

**Susa Aglukark
sings about pain
and joy among
the Inuit**

in an interview last week at the 1993 record ing studios just north of Toronto, was bitter sweet. "You finally find enough courage and you can't help but be angry. The justice system gives him a year-and-a-half sentence. The rest of my life and the rest of I don't know-how-many girls' lives are ruined. A year and a half!" Then anger, coupled with resolve, is evident in one of the new songs from *This Child*, called *Sister in Silence*. "Don't you know that your heart can feel like an anchor/When you keep

it all inside/No, no, don't suffer in silence." Aglukark's family has also been touched by the wave of suicide that sometimes sweeps in overwhirls many native communities. In *Kalei I*, the most emotionally wrenching song on *This Child*, Aglukark laments the loss of a cousin and close friend, Katty, who killed herself. "Katty, I see you free/On your journey to find your peace/In my heart you'll always be Katty, I see you free."

For all of this, *This Child*, which received its national launch in Yellowknife in late January, is no collection of dirges. In both production values and subject matter, it is a quantum leap from Aglukark's earlier albums. The result of eight months in a studio with the highly regarded Toronto-based producer Chad Kroeger (who has also worked with the top-of-the-line Rodan Family), the recording marks a number of diverse



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musical influences and trademarks, including native drums, electronic synthesizers and a string quartet. And, tempting the tender side of such songs as *Katly I am* (celebratory numbers including *O Sena*—the first single released from the album—which revolves around an Indian celebration of joy at wedding feasts) and *Isenda* ("O Sena, we are all *Isenda*"), *O Sena*, we're all the same! (*O Sena*, the first of freedom/dance in the burning zone).

Such songs reflect the singer's determination not to get specific. "I don't want to be thinking with heavy racist names all of the time," says Aglukark, whose own musical preferences run the gamut from *Shogun* to *Pavarotti*. The executives at *Delta Chelsea* have raised expectations in her record company that it could be Aglukark's breakthrough album not only in southern Canada, but in nationally as well. 1994 Canada producer Denise Cameron notes that affiliates of his company in the United States, Australia and New Zealand are committed to marketing *This Child*. Aglukark's profile outside Canada will also receive a boost when she travels to Australia later this month to perform at the Melbourne Music Festival. "I think that she has real international appeal," says Cameron. "I also think that some of her lyrics that relate to the Inuit are going to be of great interest to people in other countries."

It is hardly stuff for the fair-haired, freckled, two-inch Aglukark, who took her first tentative steps into the music business only four years ago. Born in Churchill, Man., the middle of seven children, she spent her early years moving from one Arctic community to another because of her father's job as a Peenaseen engineer. In 1989, the family settled for good in Arviat (formerly Eskimo Point), a town of about 1,200 on the shore of Hudson Bay, 125 km north of the Manitoba border. Although she was always an avid writer—of poems, diaries and journals—her musical experience was limited to singing in her father's church and, briefly, as a member of a youth-group band.

After graduating from high school, Aglukark moved to Ottawa to find work, first as a bureaucrat with the federal government and then as an extensive assistant with an adult-chilly group. It was during that period that she got her first big musical break. In the fall of 1990, Les McLaughlin, a producer at CBC North in Ottawa, was putting the finishing touches on a compilation recording of Eastern Arctic artists, when he received a demo tape from Aglukark. He was suitably impressed to arrange a one-day recording session. In the space of 18 hours, Aglukark recorded nine songs, all but one of them in Inuktitut. In addition to being included among the 25 cuts on the CBC broadcast disc, Aglukark later released the nine songs as *Arviat* for Vixie, under her own label, Aglukark Entertainment Inc.

The *Arviat* for Vixie sessions got nature boy play on the CBC radio stations that serve the Arctic and which, for up to two

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starts of the nation, broadcast in Inuktitut. "The response was instant in the North," recalls McLaughlin. "It made her a star." The second album, *Arctic Blue*, followed in 1992. Heavily autobiographical, it relates songs that deal candidly with her own experience of sexual abuse, with teenage suicide and with the cultural dislocation of the Inuit. And it ends with a haunting rendition of *Amazing Grace*, sung a cappella in Inuktitut. Distributed mainly through mail order, *Arctic Blue* sold nearly 14,000 copies—about 16,000 of those in the Northern Territories, which has a population of only 60,000. These numbers, together with Aglukark's obvious musical talent, caught the attention of CBC Canada executives. After signing her, the Toronto-based company re-released *Arctic Blue*, which has so far sold an additional 35,000 copies.

Arctic Blue made Aglukark something of a role model for local youth. Following performances in small communities such as Pond Inlet or Iqaluit, she would often be asked to address school audiences and groups of sexual-abuse victims. She did so willingly, but found the experience somewhat draining. "It's like everyone you're dealing with has been traumatized to one way or another," she says. "And when it's all you're facing, it seems like it's all there is in the world." But she continues to draw strength from her Christian faith, which she says influences both her music and her approach to social issues.

Aglukark, who now lives in Toronto where she is not on the road, likes to return to the Arctic—where her parents and siblings still live—whenever possible. While she finds city life "incredibly noisy," it gives her a chance to indulge in one of her other passion: movies. She also likes reading, sewing (she made her own parka and clothing). As well, she is doing a local recording engineer.

Aglukark's emergence as a recording artist coincides with a resurgence of interest in aboriginal music—reflected in the success of Kookoo, an Inuit duo from northern Quebec, and a recent compilation album, *Arctic* for *The Native Americans*, put together by Richard Robertson, a Canadian-born former member of the legendary rock group The Band. "Ten years ago," notes the CBC's McLaughlin, "anyone singing in a native language couldn't get played except at midnight on a 'radio' station. Today, that's all changed." Asked about Aglukark's potential for worldwide success, McLaughlin replies, "I don't think potential is the right word. It's going to happen."

Aglukark appears to be having similar thoughts. Until her work on *This Child*, she says, she felt uncomfortable about the music business, but that's behind her, and she now feels comfortable calling herself an artist. "Once you accept something like that, it opens a lot of doors," she says. "Now, I'm ready to take on the world." She laughs add coquettishly at the boldness of her statement. But something in her steady gaze suggests that she will settle for nothing less. □

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PART 3

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PUTTING YOUR PLAN IN ACTION

Now that you have established your RRSP goals and strategy, determined your ideal asset mix and the right structure for organizing those assets, it's time to put that plan into action. But in order to do that, you will need to understand the products and issues in an increasingly lively and complicated financial services market.

Unfortunately, a lot of us do not know the basics. In a "financial literacy test" conducted by Marketing Solutions, nearly 1,200 Canadians averaged less than four questions right out of ten.

In response to the problem, financial institutions are increasing and improving their consumer education efforts. Banks are putting out financial planning newsletters and workbooks, such as CIBC's *Investment Portfolio Planner* or the Bank of Montreal's *Book of Possibilities*. Mutual fund companies are attempting to simplify their reports; the Investment Funds Institute of Canada has already produced a one-page information sheet that gives purchasers the basic facts about mutual funds, and it's working on a model for a reader-friendly, eight-page prospectus. Several companies have even produced videos.

The good news, says Dan Richards, president of Marketing Solutions, is that we're learning fast. "Canadians generally do have a ways to go. But in two years, maybe even 12 months, they'll be dramatically more informed."



PICKING YOUR INVESTMENTS

The RRSP market is now worth roughly \$234 billion. Assets managed by mutual fund companies have increased from \$3.5 billion in 1981 to over \$131 billion, more than double what it was only two years ago. Meanwhile, Canadians still have great faith in deposit investments, holding over \$151 billion-worth in our RRSPs.

Fixed Income Deposits

Fixed Income Deposits and uncertainty about interest rates means you will want to shop around and think carefully about how locked in you want to be when you purchase fixed income investments. While both savings accounts and Canada Savings Bonds are extremely safe, the interest you get will vary over time. By buying a term deposit or guaranteed investment certificate (GIC) you can get a guaranteed rate for a given period. However, you can't bail out if the rates become comparatively unattractive.

If you do buy GICs or term deposits, it's a good



idea to stage, or the terms so they do not all come to maturity at the same time. If they do, you will have to make decisions about a large sum of money all at once. And it may not be the best time to reinvest.

However, banks and trust companies are beginning to introduce more flexible term deposits and GICs, making them a more attractive way to invest, points out Janet White, manager of investment products for the Bank of Montreal. Her bank's "RATEwise," for example, available for three, five and seven years, gives investors guaranteed rates that rise over the term and allows them to redirect the money to other bank products on particular anniversaries, if the policies look better.

And do not forget the less familiar fixed income investments, such as government, corporate and international bonds, mortgages, mortgage-backed securities, strip bonds, international government bonds. If you are uncomfortable dealing with these instruments on your own, you can invest in them through mutual funds.

There is now a bewildering variety of mutual funds. Here is a quick rundown of the major types.

Equities and Mutual Funds

Equity funds offer the good opportunities for long-term growth but they can be risky. Many funds today focus on particular types of companies, all of which have different potential for growth and different levels of risk. Common fund types include large, successful "blue-chip" companies likely to have slow but steady growth; small companies, known as "small

caps," that may grow quickly (or may not); a cross-section of companies listed on a particular stock exchange; Canadian companies; foreign companies anywhere in the world; foreign companies in a particular part of the world where growth is expected (but may not happen); companies in a particular sector of the economy, such as natural resources or technology; companies that pass certain ethical or environmental standards.

In addition, dividend funds invest in preferred shares of companies, which means you get an income from the dividends paid by the company, along with benefiting from the increased value of the stock.

Bond funds are less risky than equity funds. They invest in government and corporate bonds, trying to get the best interest rates possible. Some funds include or focus on foreign bonds. It's important to understand that having a

EXPERT VIEW POINT

"I started contributing when I was in my late 20s. In those days, I'm not sure I even knew what an RRSP was. After three years, on the advice of a friend in the financial services sector, I rolled my RRSP into a low-interest money market that locked me in for 15 years — quite a bad decision for someone my age."

"Then I went into the financial services industry myself and got more perspective on my situation and where I was trying to go. And I had to take my pension plan with me. So suddenly \$10,000 became \$70,000. I thought, I'd better pay attention to this. Initially I put my mortgage into my RRSP — which made sense back when interest rates were high. Now I'm mainly in mutual funds."



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CHOOSING A MUTUAL FUND

The obvious first bit of research are the tables of performance figures reported regularly in Canadian newspapers. Typically the tables line up similar funds together, so you are comparing apples to apples, and give a fund's performance over several periods of time — one year, three years, five years and ten years.

To evaluate a fund's performance, look for consistent performance over the years. A good one-year performance could be a flash in the pan, says David Mathor, senior vice-president, Elliott & Page. "Luck counts in this business too." A good ten-year performance may be reassuring, but "things could

have gone down quite badly in the last one, two or even three years and that 10-year figure hardly bodes," points out David Stewart, president of Stewart & Co.

In addition, good numbers in the past do not guarantee good numbers in the future. And ideally you want to buy a fund before it goes up, points out Laurie Munro, vice president of marketing for Macleod Financial Corporation. "If you watch Wayne Gretzky, he tends to go not where the puck has been but where it's going. Investors need to do the same and buy funds that are about to have a solid period of growth."

The next obvious place to go for information is



EXPERT VIEW POINT



JOHN SIMPSON
president, Fidelity
Investments
Canada Ltd.

"I started contributing to my RRSP as soon as I had a job, even if I had to borrow to do it. I used to have about a 50-50 mixture of bonds and equities in my portfolio, but in the last three years it's been mostly equity. So I was actually more conservative when I was younger. Maybe that's because I didn't know as much. Half of my Canadian content is in the Fidelity Canadian Growth Fund, and the rest is in our Capital Builder Fund, which is more of a blue chip fund. I think Canada is going to have a really good next two years."

"My foreign content has always been moderated. Half is in the Fidelity Far East Fund and half is in the Fidelity Latin America Growth Fund. The two foreign funds haven't performed very well so this is not the time to switch. You don't sell last year's losers. In fact this is the time to buy more. You've got to give a region a good five years."

the prospectuses and reports issued by mutual fund companies. These should fill you in on the investing philosophies and strategies of the various funds and their managers. But as Tom Hocken, president and CEO of the Investment Funds Institute of Canada (IFIC), points out, these documents are "too often written by lawyers for lawyers," so they're not always easy for the lay person to follow. Hocken, however, notes that prospectuses are now increasingly written in easier-to-read language. It is a good idea to discuss the fund with your financial adviser, if you have one, and see if the mutual fund company has some more consumer-friendly information.

As Francis, vice-president of client services for Altamira Investment Services Inc., points out, it's crucial to know the personalities behind the reports and numbers. "People tend to look at mutual funds as entities on their own and may forget that they are run by people. You go to a restaurant that has a great chef and the food is wonderful. You go again and they've changed chefs and your meal tastes different. Just as some chefs are more talented than others, some mutual funds managers are better than others."

So in evaluating a fund's performance, you will want to know whether the fund has had the same manager or set of managers all along, what their



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style is and whether they have stuck to that style. You will also need to understand the strategy and parameters of the fund itself. Some of the questions you might ask:

What kind of research does the fund do before choosing an investment? How do they monitor a company's performance? Do they have rigid parameters? For example, if it is a balanced fund, do they always have a 50-50 split between equities and fixed income? Or do the managers have some flexibility to change that split? Does the fund limit the number of companies it invests so it can stay in touch with all of them? Or does it spread the risk over a large portfolio of investments? Does the fund take a bottom-up approach of finding the best companies, regardless of the sector or geographical location? Or does it take a top-down approach of choosing regions and industries it expects to do well, and then choosing companies within those assumptions?

There are no right answers to any of these questions, just different investment philosophies that you may or may not agree with.

Ultimately, however, what investors should be looking for is consistency, says Arthur Labatt, president of Trimark Investment Management Inc. "We don't try to shoot the lights out in any one year. We think what most people want is good long-term results without too much volatility." ■

FOREIGN INVESTMENT: MORE THAN A HOT TREND

Although less than a quarter of RRSP investors seem to be following the advice, the experts urge you to use to the full the 20 per cent of your RRSP that you are allowed to put into foreign investment. "Canada is only 3 per cent of the world equity market," points out Warren Baldwin of TE Financial Consultants. "So it makes sense to have foreign content in your portfolio. Would you go grocery shopping and only buy in one aisle?"

In fact, since many "Canadian" funds now have a certain amount of foreign content, you can actually hold more than 20 per cent foreign content in your portfolio. However, if your RRSP investments are scattered around rather than consolidated in one plan, remember that you can only have 20 per cent content in each different plan. You can not, for example, have 80 per cent of your money in GICs at your bank and then spend the remaining 20 per cent in a foreign mutual fund somewhere else.

But is foreign investment really a safe, reliable investment? A Royal Trust study found that a stock portfolio made up of one-quarter Canadian equities and three-quarters foreign investments was less risky and more profitable over the long term than a similar all-Canadian portfolio. "Traditionally, foreign markets have always outperformed Canada just because there's more opportunity out there," says John Simpson, president of Fidelity Investments Canada Ltd.

But as with any RRSP investment, we need to take the diversified, long-term view and avoid the "hot tip" mentality, says Simpson. Instead, go for the long term in funds that invest in a region with potential for growth, perhaps specializing in particular types of companies. "So if one country has a problem, another country will be doing well and make up for it." Most investors do not have the resources to figure out which countries will do best, says Simpson. "I'm in the business and I don't have the time to research whether the Philippines is better than Malaysia or Poland."

Like many advisors, Simpson is keen on the potential of Southeast Asia and Latin America, with their huge populations and improving political stability and standard of living. But investors must be prepared to hang tough through problem times. Europe, Japan and, to a lesser extent, the US also look good but growth will be slower in these developed countries, so these funds are more suitable for investors who are willing to shift around a bit to get the best return.

The more cautious investor may prefer to opt for a fund that mixes emerging with more mature markets, says Arthur Labatt. Trimark's Americas Fund combines young, aggressive companies in the mature US market with large, stable firms in the emerging Latin American market. "Maybe we won't

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LOADS AND NO-LOADS — HOW MUCH SHOULD I HAVE TO PAY?

If you buy from a commissioned dealer — as opposed to purchasing at your bank — you will likely have to pay that commission in the form of a "load." Originally customers paid when they first purchased their units — a "front-end load." In the late eighties, mutual fund companies began offering a "rear-end load," which you pay if and when you cashed in your holdings. The amount you have to pay usually declines, the longer you hang on to your units.

IS IT INSURED?

TYPE OF RRSP INVESTMENT	INSURED?
Savings accounts	Yes
Term deposits such as GICs, up to five years	Yes
Term deposits for more than five years	No
Deposits in foreign currencies	No
T-bills	No
Investments in mortgages, stocks and mutual funds	No

Recently, some companies have introduced the "no-load" mutual fund. While that is obviously attractive, no-load funds generally do not supply any specific individual investment advice. "You have to balance the cost of the commission against the risk of doing it yourself and maybe getting into a poor performing fund," warns Blake Goldring, senior vice-president of sales and marketing at AGF Management Ltd. "We're probably talking about 1.2% a year and if you're losing 5 per cent a year on performance you really haven't done yourself a favor."

Whether front-end, rear-end or no-load works out in your favor depends on a variety of factors — how long you hold onto the fund, how well it does, how the deal is structured. Whatever load you do or don't pay, you will have to pay an administration fee, deducted from your holdings. ■

The Canada Deposit Insurance Corporation is a federal Crown corporation that insures the money you deposit with any of its members — essentially

WHAT'S SAFE?

all the major bank, trust and loan companies. (See the CDIC brochure *CDIC Membership* for a list of member institutions.)

The CDIC insures up to \$60,000 of your deposits with any single member institution. If for example you have \$90,000 in insured deposits in one institution and it goes belly up, you are out \$30,000. It does not matter if the money was in different branches or different types of accounts.

It's also important to know that while the CDIC does insure RRSPs, it doesn't cover certain types of investments, even if they are inside your RRSP, such as term deposits of more than five years or mutual funds or foreign currency deposits (see chart). So, for example, if your \$60,000 RRSP in that unreliable institution included \$10,000 in seven-year term deposits and \$8,000 in foreign currency deposits, you would only get \$42,000 back. If you are unsure if a particular investment is covered by the CDIC, you can call and check at 1-800-955-CDIC.

While mutual funds may lose value, depending on what is happening to the markets, your actual holdings are relatively safe, even though they are not insured by the CDIC. Mutual fund companies are required to do regular audits and reports, and almost all are members of the Investment Funds Institute of Canada, which requires them to follow certain procedures. Plus, your mutual fund holdings are in the safekeeping not of the management company but of a trustee. It is important to remember that mutual funds are tangible assets, says Tom Hockin, president and CEO of the Investment Funds Institute of Canada (IFIC): not just money floating around but specific investments in equities, bonds, etc., that will continue to exist regardless of what happens to either the management company or the trustee. "Even if the management company or the trustee went bankrupt, your holdings are still there. It's like going away for the weekend and leaving your car at the vet. Even if the vet goes bankrupt, the cat will still be there." ■

Written by Diane Forrest, a Toronto journalist

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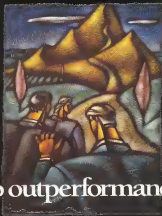
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The FUND LETTER—OCTOBER 1994

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OBITUARY

Inspired images

He directed his first feature film at the age of 27, and it became a land mark in Canadian cinema. The *Grey Fox* (1958), the tale of a gentleman bushy who sought refuge in the wilds of British Columbia at the turn of the century, was a remarkably well-received debut. A west em romance unlike any other, it possessed a quiet grandeur, an intimate sense of time and place that suggested Canadian filmmakers could create their own version of Hollywood magic. The *Grey Fox* was, in fact, the first major English-Canadian movie to attract serious international attention. Its director, Phillip Borsos, went on to make another four movies, including the troubled epic *Bellare*, *The Making of a Man* (1964). His final film, a touching family adventure titled *Far From Home: The Adventures of Yellow Dog*, is now playing across North America. Borsos died last week after a 10-month battle with acute myeloid leukemia. He was 61.

Perhaps more than anyone, Borsos incarnated the dream and the frustration of what it means to make movies in Canada. He stubbornly refused to accept the limitations imposed on him, both financial and artistic. He did not want to make narrow little Canadian films. He wanted to make movies, big movies that would strike a universal chord. If necessary, he would use Hollywood money, but without buying into Hollywood values or surrendering his vision. "He was a powerful personality who never took no for an answer," says Peter O'Brien, who produced three of his films. "He never considered time or budget to be an impediment. He had the highest standards, and he was so determined that he would keep developing projects far past—he never thought that there would be a time when he was one day set by that disease."

On the set, Borsos was a perfectionist, taking time to create exquisite images. But he also displayed an acute sensitivity to actors as they began to mold. While working with him in *China*, British star David Niven became a friend. "As a director of a scene-of actors," Sutherland told Niven's last week, "he had the genius to comprehend the deepest moral issues involved and re-create them on-screen with grace."

The son of a Hungarian sculptor and an

English nurse, Borsos was born in Toronto and moved to Montreal, B.C., when he was 5. As a Grade 11 student, he acquired a 16mm Bolex camera from his father and began his education in self-teaching. In the late 1950s, Borsos made documentaries for the National Film Board, including *Nero* (1959), a simple study of nail manufacturing, which received an Oscar nomination. Then, getting up with Toronto-based producer O'Brien,



Borsos: Inspiring Canadian cinema's dream

on, Borsos directed *The Grey Fox*, based on the true story of Bill Miles, an American stagecoach-bandit-turned-ranger who fled to Canada. The movie's choppy, hand-crafted images inspired critic Pauline Kael to call Borsos "an inspired image maker." At the heart of the film is a beautifully understated romance between Miles (Richard Farnsworth) and a saloon girl (played by Julie Barris).

Inspired by *The Grey Fox*, Hollywood

hired Borsos to shoot *The Man from Snowy Mountain* (1960), an atmospheric thriller set in Miami with Karl Lander and Marjorie Monaghan. Then, for his third picture, he joined forces with Danny and Dina in Toronto to shoot *Over Magic Mountain*. Making *Capricorn Rising* with a diverse group of contemporary actors, it is a fable about a Socratic-like mother (Mary Steenburgen) whose husband is shot dead in a bank robbery just before Christmas. An unlikely angel (Harry Dean Stanton) comes to the rescue and, with Susan's help, restores her faith in miracles.

Borsos faced his toughest challenge in making *Bellare*. The movie, chronicling the life of Canadian battlefield surgeon Florence Bellare, was a labor of love that turned into a production nightmare. There were delays, crew members, including Borsos, and made a deal over the script. On location in remote areas of rural Chile, with Chinese bureaucrats as his co-producers, the director was pushed to the limit. Still, he came up with some extraordinary footage and drew the performance of a lifetime from Sutherland. *Bellare* consumed four years of the director's career. In the end, the producers took him out of the final editing process and finished the film without him.

Borsos was able to make his last film, *Far From Home*, in his own backyard, shooting several scenes on and around the property on Myrtle Island, B.C., where he and his wife, Beeri, lived, surrounded with their sons Angus, 8, and Sam, 5. Based on his script, with characters named after his children, it was his most personal film, an adventure about a boy stranded in the woods with his dog. The movie's haunting landscapes and straightforward storytelling bear the director's unmistakable stamp. "Pulp didn't have a dog but the silly story of his dog, Insured, Philip just had the dog look at him from 20 m away, leaving room for something to happen. He didn't like the obvious."

Borsos began and ended his career with pictures that explored the spirit of Western Canada. Although his five movies are radically different, each bears his distinctive vision. "His style was so rich," says O'Brien. "Everything had to be shot a particular way. He liked a very strong frame, with a very direct angle to the subject. Everything had to be firm and solid. The number 1 thing for Phillip was to find the point of true drama. It couldn't be good unless it was honest. He was faithful to that every day that he worked."

MIKE D. JOHNSON

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OBITUARY

Eloquent anarchist

George Woodcock's mind—and heart—were expansive

George Woodcock would smile politely whenever people demanded to know how many books he had written or edited over the years. The Vancouver-based author did not like the question, because he thought the answer (somewhere between 125 and 250) made his every work sound like an athletic competition rather than an approach to life. But the fact that he produced so much in so many different forms—criticism, history, travel, politics, poetry and biography, including *The Crystal Spirit*, his 1966 classic on George Orwell—testifies left him open to public misanthropy. When he died last weekend of complications arising from a heart condition, still writing at 89, he was a revered Great Canadian whose passing was reported on front pages and on the national television news. That many who mortared such under-theorized his significance.

Woodcock, who was born in Winnipeg but lived in England with his parents as an infant and did not return to this country until he was in his late 20s, had two job titles, both of which avoided ongoing confusion. First, he was a man of letters; hence was the term as a rank when actually it meant he was a man of letters (not *prof*), of writers.

The man for whom letters is an occupation of many different literary genres who were drawn off to work and research his (or her) basic ideas for various audiences. Second, Woodcock was an anarchist, but most definitely not as the word is used by police and others—not someone who promotes violence or destructive lawlessness. Woodcock preferred the term "philosophical anarchist" to emphasize his belief that society works best when small groups of people, at the regional, local or even neighbourhood level, or pursue themselves for some immediate purpose without getting tangled up in the tribal red tape of government.

His kind of anarchism was also the basis of his charitable activities. Much of the profit from his books went to three foundations that he established with his wife, Iona Inge—two to aid refugees drawn out of Tibet by the Chinese Communists, another to build medical and sanitary facilities in an especially impoverished part of northern India, a third to assist Canadian writers, particu-

larly young ones, during financial emergencies. He worked as hard for his friends as for his causes.

He preached the politics not of the left or the right but of the dignity of free individuals who, he insisted, could lead genuinely useful lives if not thwarted by authority. He believed in staying small and avoiding impersonal institutions. In life, he was an example of how great things can be accomplished by one person working away steadily.

Woodcock attended no university, and served for 10 years as an obscure railway clerk while building a place for himself in the cultured literary world of London. During the Second World War, he performed heavy labor as a conscientious objector and worked on a pacifist periodical. Then, in 1948, he and his wife—they never had children—decided to start over in Canada.

He became in 1958-1959 a leading champion of other Canadian writers, particularly female equality, particularly those much younger than himself. In 1959 Woodcock helped to found the quarterly journal *Canadian Literature*, the first of its kind. He was proud of his literary skills, which were modest, and of his writings, which were modest. He spoke in the beautifully modulated accent of the Welsh border country where he grew up. He liked Mark Twain's motto (telling Groucho as a fellow anarchist) and loved to tell jokes and tell lies.

At dinner, his conversation might range from arts patronage in 15th-century Germany to the iconography of the wild roses on Horley Island as distinct from that of the B.C. mainland. But when he talked so modestly, it was always with a quiet sense that he was sharing information, not justifying. Then, after dinner (and advancing years and mounting infirmities made him in a manner person), he would make his excuses and seat himself up in his study office to write (or a portable manual typewriter) until three or four in the morning.

Thus, while the rest of Canada slept, he urged all of us to be better people. His best argument was his own example of lifelong learning and selflessness.

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The media and the message

BY ALLAN FOTHERINGHAM

Below my hotel window, in the core of the smoggy downtown towers of Los Angeles, there is a parking sign. As nature city black is covered with a concrete black, obviously recently constructed.

But there are no workmen, no carpenters, no activity at all. Day after day, week after week, it sits there empty. All the attachments are there, all the knobs, but nothing is attached. Examination reveals this to be the expected home of the Los Angeles Philharmonic. The futuristic design, by renowned architect Frank Gehry, resembles the famed Sydney Opera House in Australia chopped up like waffle cones.

The underground parking garage is complete, but all work on the project has been halted because of \$50-million cost overruns. And, alas, yes, the home of the orchestra, if ever completed, will be called Disney Hall.

This fits in, naturally, with all we know about California. It has already provided as with the Southern Mighty Ducks, the staple eat house not only in hockey but in all sport. Now we have the image of Mickey Mouse on the flagstone. This makes up there with Turner's symphony house, Roy Thomson Hall, named after a gentleman whose only music was the sound of the cash register.

California is all about showing and it personifies everything. It sent an actor to the White House and now has installed Sonny Bono (Be-Chief) as Congressman, following his run as mayor of Palm Springs. Chief himself has finished a stint as mayor of Carmel, Dennis Rott, at Gary Hart and Mackay Business Centre, was last heard from modelling fight pants. Now she serves as co-sponsor for The Los Angeles Times on behalf of a non-progressive association.

It's why there are now more than 40 special tracks and air conditioning trailers in "Camp O.J.," the instant media city that has sprung up in a parking lot opposite the Los Angeles courthouse. The world can't get enough of a gruesome murder and television is only too eager to supply it.

Why was expensive chair-setup cop



shows and air chases on the air when real life supplies it all. In Ontario, the serious newspapers are now trying to persuade a judge to allow television cameras to bring the Paul Bernardo courtroom scene, with even more horrific details, to Canadians who want a shock trial all their own. Surely MPTV has a close covering too.

Shawnee and O.J. anticipate all California. As his book climbs to the top of the best-seller lists, something called *Swisspost* has crept into the national language. Ventura playboy lawyer investigator Chuck Hume, covering a Los Angeles Lakers-Charlotte Hornets game, says in the atmosphere about a disparaged referee's decision: "Judge, he wouldn't have changed that call."

The football hero makes it into a basketball game and lawyers, of all people, become international celebrities. A restaurant owner reports that when Robert Shapiro,

the Simpson magistrate, walked into his dining room the entire clientele went silent. "Even Madonna wasn't like this," recounted the hotel owner.

When a lawyer is a bigger sight than a sex symbol, we know we are onto something big. Johnnie Cochran, who was alleged to have beaten his first wife, defends O.J. who appears to have beaten his wife, before Judge Lance Ito, whose wife was beaten by her first husband. Five black women will be the formative influence among the 12 jurors.

Television loves it, the ratings showing how much money it is worth. The top 10 programs in American cable networks for the last week in January were all portions of the CNN's post-trial coverage from the courtroom.

This, too, shall come to Canada, as do all American trends, from skateboards to jogging to trendy ground proper at even the worst restaurants. Courtroom television is on the way, just as it has arrived in Israel. No way, Spain and Italy and will soon be introduced to Scott and Andrea.

The Canadian need to duplicate American events will bring us courtroom television. Just as the shooting of a Canadian doctor who has done abortions follows the American shootings by anti-abortion fanatic. We report their records and their moves and now we will report universal access to bloody courtroom evidence.

The Bernardo trial will be our equivalent of the O.J. trial and the TV ratings, despite strong Canadian superiority, will be just as high. The rumors, which have beaten the 49th-ranked publication by an hour, Herald's strange

contracting, ensure the public desire for the full details.

But just be understood far evil to be detected. History will condemn the Althea trial the early silence on the Holcombs. The current Canadian public, in Canada's best system is fed by secrecy and non-bodily traditions that the legal profession itself controls.

There will be courtroom television of the lengthy Bernardo trial. Appeals to the Chief of Rights and Freedoms will guarantee that, and we'll be better for it, and when we're it, is the long run.

The American public is getting an education on law and justice and the courts through their fascination with the O.J. case. Canadians, when the inevitable comes the book and allows as access to the reporters of the legal machine justice, will gain another dimension. The right to know.



Strangely, he is not the number one fear of most Canadians.



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